

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Fiscal Year Ended December 31, 2019

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Exact Name of Registrant as Specified In Its Charter	State or Other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number
1-12609	PG&E CORPORATION	California	94-3234914
1-2348	PACIFIC GAS AND ELECTRIC COMPANY	California	94-0742640



77 Beale Street  
P.O. Box 770000

**San Francisco, California 94117**

(Address of principal executive offices) (Zip Code)

**415 973-1000**

(Registrant's telephone number, including area code)



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P.O. Box 770000

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	PCG	The New York Stock Exchange
First preferred stock, cumulative, par value \$25 per share, 5% series A redeemable	PCG-PE	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 5% redeemable	PCG-PD	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 4.80% redeemable	PCG-PG	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 4.50% redeemable	PCG-PH	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 4.36% series A redeemable	PCG-PI	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 6% nonredeemable	PCG-PA	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 5.50% nonredeemable	PCG-PB	NYSE American LLC
First preferred stock, cumulative, par value \$25 per share, 5% nonredeemable	PCG-PC	NYSE American LLC

Securities registered pursuant to Section 12(g) of the Act: none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

PG&E Corporation:  Yes  No  
Pacific Gas and Electric Company:  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act:

PG&E Corporation:  Yes  No  
Pacific Gas and Electric Company:  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

PG&E Corporation:  Yes  No  
Pacific Gas and Electric Company:  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

PG&E Corporation:  Yes  No  
Pacific Gas and Electric Company:  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act). (Check one):

<b>PG&amp;E Corporation</b>	<b>Pacific Gas and Electric Company</b>
<input checked="" type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Large accelerated filer
<input type="checkbox"/> Non-accelerated filer	<input checked="" type="checkbox"/> Non-accelerated filer
<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/> Smaller reporting company
<input type="checkbox"/> Accelerated filer	<input type="checkbox"/> Accelerated filer

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

PG&E Corporation:   
Pacific Gas and Electric Company:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

PG&E Corporation:  Yes  No  
Pacific Gas and Electric Company:  Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

PG&E Corporation:  Yes  No  
Pacific Gas and Electric Company:  Yes  No

**Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrants as of June 30, 2019, the last business day of the most recently completed second fiscal quarter:**

PG&E Corporation common stock \$12,130 million  
Pacific Gas and Electric Company common stock Wholly owned by PG&E Corporation

**Common Stock outstanding as of February 13, 2020:**

PG&E Corporation:

529,254,082 shares

Pacific Gas and Electric Company:

264,374,809 shares (wholly owned by PG&E Corporation)

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the documents listed below have been incorporated by reference into the indicated parts of this report, as specified in the responses to the item numbers involved:

Designated portions of the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders

Part III (Items 10, 11, 12, 13 and 14)

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UNITS OF MEASUREMENT

1 Kilowatt (kW)	=	One thousand watts
1 Kilowatt-Hour (kWh)	=	One kilowatt continuously for one hour
1 Megawatt (MW)	=	One thousand kilowatts
1 Megawatt-Hour (MWh)	=	One megawatt continuously for one hour
1 Gigawatt (GW)	=	One million kilowatts
1 Gigawatt-Hour (GWh)	=	One gigawatt continuously for one hour
1 Kilovolt (kV)	=	One thousand volts
1 MVA	=	One megavolt ampere
1 Mcf	=	One thousand cubic feet
1 MMcf	=	One million cubic feet
1 Bcf	=	One billion cubic feet
1 MDth	=	One thousand decatherms

## GLOSSARY

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

2019 Form 10-K	PG&E Corporation's and Pacific Gas and Electric Company's combined Annual Report on Form 10-K for the year ended December 31, 2019
2019 Wildfire Mitigation Plan	the wildfire mitigation plan for 2019 submitted by the Utility to the CPUC pursuant to SB 901, previously also referred to as the "2019 Wildfire Safety Plan"
AB	Assembly Bill
ALJ	administrative law judge
ARAM	average rate assumption method
ARO	asset retirement obligation
ASU	accounting standard update issued by the FASB (see below)
Backstop Party	a third-party investor party to a Backstop Commitment Letter
Bankruptcy Code	the United States Bankruptcy Code
Bankruptcy Court	the U.S. Bankruptcy Court for the Northern District of California
BPP	bundled procurement plan
CAISO	California Independent System Operator
Cal Fire	California Department of Forestry and Fire Protection
CARB	California Air Resources Board
CCA	Community Choice Aggregator
CCPA	California Consumer Privacy Act of 2018
CEC	California Energy Resources Conservation and Development Commission
CEMA	Catastrophic Event Memorandum Account
Chapter 11	chapter 11 of title 11 of the U.S. Code
Chapter 11 Cases	the voluntary cases commenced by each of PG&E Corporation and the Utility under Chapter 11 on January 29, 2019
CHT	Customer Harm Threshold
CPUC	California Public Utilities Commission
CRRs	congestion revenue rights
CUE	Coalition of California Utility Employees
CWSP	Community Wildfire Safety Program
DA	Direct Access
DER	distributed energy resources
Diablo Canyon	Diablo Canyon nuclear power plant
DIP Credit Agreement	Senior Secured Superpriority Debtor in Possession Credit, Guaranty and Security Agreement, dated as of February 1, 2019, among the Utility, as borrower, PG&E Corporation, as guarantor, JPMorgan Chase Bank, N.A., as administrative agent, and Citibank, N.A., as collateral agent
DOE	U.S. Department of Energy
DRP	Distribution Resource Plan
DTSC	Department of Toxic Substances Control
EIM	Energy Imbalance Market
Effective Date	the effective date of the Proposed Plan
EPA	U.S. Environmental Protection Agency
EPS	earnings per common share
EV	electric vehicle
EVM	enhanced vegetation management
FASB	Financial Accounting Standards Board
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
FHPMA	Fire Hazard Prevention Memorandum Account

Fire Victim Trust	A trust to be established pursuant to the Proposed Plan for the benefit of holders of the fire victim claims, as defined in Note 14 of the Notes to the Consolidated Financial Statements in Item 8
FRMMA	Fire Risk Mitigation Memorandum Account
GAAP	U.S. Generally Accepted Accounting Principles
GHG	greenhouse gas
GRC	general rate case
GT&S	gas transmission and storage
HSM	hazardous substance memorandum account
IOUs	investor-owned utility(ies)
LCC	Land Conservation Commitment
LIBOR	London Interbank Offered Rate
LSTC	liabilities subject to compromise
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in Part II, Item 7, of this Form 10-K
MGP(s)	manufactured gas plants
the Monitor	third-party monitor retained as part of its compliance with the sentencing terms of the Utility’s January 27, 2017 federal criminal conviction
NAV	net asset value
NDCTP	Nuclear Decommissioning Cost Triennial Proceedings
NDT	Diablo Canyon Nuclear Decommissioning Trust
NEIL	Nuclear Electric Insurance Limited
NEM	net energy metering
Noteholder RSA	Restructuring Support Agreement dated as of January 22, 2020 with certain holders of indebtedness of the Utility, among others
NRC	Nuclear Regulatory Commission
OES	State of California Office of Emergency Services
OII	order instituting investigation
OIR	order instituting rulemaking
OSA	Office of the Safety Advocate, a division of the CPUC
PAO	Public Advocates Office of the California Public Utilities Commission (formerly known as Office of Ratepayer Advocates or ORA)
PCIA	Power Charge Indifference Adjustment
PD	proposed decision
Petition Date	January 29, 2019
PFM	petition for modification
Proposed Plan	Plan of Reorganization, as defined in Note 2 of the Notes to the Consolidated Financial Statements in Item 8
PSA	plan support agreement
PSPS	Public Safety Power Shutoff
RAMP	Risk Assessment Mitigation Phase
ROE	return on equity
ROU asset	right-of-use asset
RPS	renewable portfolio standard
RSA	restructuring support agreement
SB	Senate Bill
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC
Subrogation RSA	Restructuring Support Agreement dated September 22, 2019 with certain holders of insurance subrogation claims, as amended



Tax Act	Tax Cuts and Jobs Act of 2017
TCC	Official Committee of Tort Claimants
TCC RSA	Restructuring Support Agreement dated December 6, 2019 with the TCC and attorneys and other advisors and agents for certain holders of Fire Victim Claims (as defined therein), as amended
TE	transportation electrification
TO	transmission owner
TURN	The Utility Reform Network
UCC	Official Committee of Unsecured Creditors
USAO	United States Attorney’s Office for the Northern District of California
Utility	Pacific Gas and Electric Company
VIE(s)	variable interest entity(ies)
VM	vegetation management
WEMA	Wildfire Expense Memorandum Account
Wildfire Assistance Fund	program designed to assist those displaced by the 2018 Camp fire and 2017 Northern California wildfires with the costs of temporary housing and other urgent needs
Wildfire Fund	statewide fund established by AB 1054 that will be available for eligible electric utility companies to pay eligible claims for liabilities arising from wildfires occurring after July 12, 2019 that are caused by the applicable electric utility company’s equipment
Wildfires OII	Order Instituting Investigation into the 2017 Northern California Wildfires and the 2018 Camp Fire
WMP	wildfire mitigation plan
WMPMA	Wildfire Mitigation Plan Memorandum Account

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are necessarily subject to various risks and uncertainties. These statements reflect management’s judgment and opinions that are based on current estimates, expectations, and projections about future events and assumptions regarding these events and management’s knowledge of facts as of the date of this report. These forward-looking statements relate to, among other matters, estimated losses, including penalties and fines, associated with various investigations and proceedings; forecasts of capital expenditures; estimates and assumptions used in critical accounting policies, including those relating to liabilities subject to compromise, insurance receivable, regulatory assets and liabilities, environmental remediation, litigation, third-party claims, and other liabilities; and the level of future equity or debt issuances. These statements are also identified by words such as “assume,” “expect,” “intend,” “forecast,” “plan,” “project,” “believe,” “estimate,” “predict,” “anticipate,” “may,” “should,” “would,” “could,” “potential” and similar expressions. PG&E Corporation and the Utility are not able to predict all the factors that may affect future results. Some of the factors that could cause future results to differ materially from those expressed or implied by the forward-looking statements, or from historical results, include, but are not limited to:

- the risks and uncertainties associated with the Chapter 11 Cases, including, but not limited to, the ability to develop, consummate, and implement a plan of reorganization with respect to PG&E Corporation and the Utility that satisfies all applicable legal requirements; the ability to obtain applicable Bankruptcy Court, creditor or state or federal regulatory approvals; the effect of any alternative proposals, views or objections related to the plan of reorganization; potential complexities that may arise in connection with concurrent proceedings involving the Bankruptcy Court, the CPUC, and the FERC; increased costs related to the Chapter 11 Cases; the ability to obtain sufficient financing sources for ongoing and future operations and investment; the ability to satisfy the conditions precedent to financing under the Backstop Commitment Letters and the Debt Commitment Letters and the risk that such agreements may be terminated; the risk that the Noteholder RSA, the Subrogation RSA, the TCC RSA or the PSAs could be terminated; disruptions to PG&E Corporation’s and the Utility’s business and operations and the potential impact on regulatory compliance;
- whether, PG&E Corporation and the Utility will be able to emerge from Chapter 11 by June 30, 2020 with a plan of reorganization that is deemed to meet the requirements of AB 1054, and whether PG&E Corporation and the Utility will need to undertake significant changes in ownership, management and governance in connection therewith;

- if the Proposed Plan is determined not to meet the requirements of AB 1054 or the Utility does not otherwise participate in the Wildfire Fund under AB 1054, it could result in a significant delay in emergence from bankruptcy, as PG&E Corporation and the Utility may be required to make material modifications or amendments to their Proposed Plan, to develop and consummate a new consensual plan of reorganization or engage in a contested proceeding;
- restrictions on PG&E Corporation's and the Utility's ability to pursue strategic and operational initiatives for the duration of the Chapter 11 Cases;
- PG&E Corporation's and the Utility's historical financial information not being indicative of future financial performance as a result of the Chapter 11 Cases and the potential financial and other restructuring currently contemplated by the Proposed Plan;
- the possibility that PG&E Corporation and the Utility will not be able to meet the conditions precedent to funding under the Backstop Commitment Letters and the Debt Commitment Letters, or that events or circumstances will occur that give rise to termination rights of the Backstop Parties or Commitment Parties under the Backstop Commitment Letters or Debt Commitment Letters, respectively, which could make raising funds to pay claims and exit Chapter 11 difficult or uneconomic;
- the ability of PG&E Corporation and the Utility to access capital markets and other sources of debt and equity financing in a timely manner and on acceptable terms in order to exit Chapter 11 and to raise financing for operations and investment after emergence;
- the impact of AB 1054 on potential losses in connection with future wildfires, including the CPUC's implementation of the procedures for recovering such losses;
- whether, in light of the CPUC's July 8, 2019 final decision in the CHT OIR that excludes companies in Chapter 11 from accessing the CHT, the Utility will be able to obtain substantial recovery of costs related to the 2017 Northern California wildfires;
- the impact of the 2018 Camp fire and the 2017 Northern California wildfires, including whether the Utility will be able to timely recover costs incurred in connection with the wildfires through rates; the timing and outcome of the remaining wildfire investigations and the extent to which the Utility will have liability associated with these fires; the timing and amount of insurance recoveries; and potential liabilities in connection with fines or penalties that could be imposed on the Utility if the CPUC or any other law enforcement agency were to bring an enforcement action, including a criminal proceeding, and determined that the Utility failed to comply with applicable laws and regulations (which actions could also adversely impact a timely emergence from Chapter 11);
- the ability of PG&E Corporation and the Utility to finance costs, expenses and other possible losses with respect to claims related to the 2018 Camp fire and the 2017 Northern California wildfires, through securitization mechanisms or otherwise, which potential financings are not addressed by AB 1054 as it only applies to wildfires occurring after July 12, 2019;
- the timing and outcome of any proceeding to recover 2015 Butte fire-related costs in excess of insurance through rates;
- the risks and uncertainties associated with the 2019 Kincadee fire;
- the timing and outcome of future regulatory and legislative developments in connection with SB 901, including future wildfire reforms, inverse condemnation reform, and other wildfire mitigation measures or other reforms targeted at the Utility or its industry;
- the outcome of the Utility's CWSP that the Utility has developed in coordination with first responders, civic and community leaders, and customers, to help reduce wildfire threats and improve safety as a result of climate-driven wildfires and extreme weather, including the Utility's ability to comply with the targets and metrics set forth in the 2020-2022 Wildfire Mitigation Plan; and the cost of the program and the timing and outcome of any proceeding to recover such cost through rates;
- whether the Utility will be able to obtain full recovery of its significantly increased insurance premiums, and the timing of any such recovery;

- whether the Utility can obtain wildfire insurance at a reasonable cost in the future, or at all, and whether insurance coverage is adequate for future losses or claims;
- increased employee attrition as a result of the filing of the Chapter 11 Cases and the challenging political and operating environment facing the company;
- the impact of the Utility's implementation of its PSPS program, including the timing and outcome of the PSPS OII and order to show cause, and whether any fines or penalties or civil liability for damages will be imposed on the Utility as a result; the costs in connection with PSPS events, and the effects on PG&E Corporation's and the Utility's reputations caused by implementation of the PSPS program;
- the timing and outcomes of the 2020 GRC, FERC TO18, TO19, and TO20 rate cases, 2018 and 2019 CEMA applications, WEMA application, future applications for FHPMA, FRMMA, and WMPMA, future cost of capital proceedings, and other ratemaking and regulatory proceedings;
- the outcome of the probation and the monitorship imposed by the federal court after the Utility's conviction in the federal criminal trial in 2017, the timing and outcomes of the debarment proceeding, potential reliability penalties or sanctions from the North American Electric Reliability Corporation, the SED's unresolved enforcement matters relating to the Utility's compliance with natural gas-related laws and regulations, and other investigations that have been or may be commenced relating to the Utility's compliance with natural gas- and electric- related laws and regulations, and the ultimate amount of fines, penalties, and remedial costs that the Utility may incur in connection with the outcomes including the costs of complying with any additional conditions of probation imposed in connection with the Utility's federal criminal proceeding, such as expenses associated with any material expansion of the Utility's vegetation management program following the entry on January 16, 2020 of an order to show cause by the United States District Court for the Northern District of California, as well as the impact of additional conditions of probation on PG&E Corporation's and the Utility's ability to make distributions to shareholders;
- the effects on PG&E Corporation's and the Utility's reputations caused by matters such as the CPUC's investigations and enforcement proceedings;
- the outcome of the Safety Culture OII proceeding, and future legislative or regulatory actions that may be taken, such as requiring the Utility to separate its electric and natural gas businesses, or restructure into separate entities, or undertake some other corporate restructuring, or transfer ownership of the Utility's assets to municipalities or other public entities, or implement corporate governance changes;
- whether the Utility can control its operating costs within the authorized levels of spending, and timely recover its costs through rates; whether the Utility can continue implementing a streamlined organizational structure and achieve project savings, the extent to which the Utility incurs unrecoverable costs that are higher than the forecasts of such costs; and changes in cost forecasts or the scope and timing of planned work resulting from changes in customer demand for electricity and natural gas or other reasons;
- whether the Utility and its third-party vendors and contractors are able to protect the Utility's operational networks and information technology systems from cyber- and physical attacks, or other internal or external hazards;
- the timing and outcome in the Court of Appeals of the appeal of FERC's order denying rehearing on September 19, 2019 of the complaint filed by the CPUC and certain other parties that the Utility provide an open and transparent planning process for its capital transmission projects that do not go through the CAISO's Transmission Planning Process to allow for greater participation and input from interested parties; and the timing and outcome of FERC's Order on Remand on July 18, 2019 granting the Utility a 50 basis point ROE incentive adder for continued participation in the CAISO;
- the outcome of current and future self-reports, investigations, or other enforcement proceedings that could be commenced or notices of violation that could be issued relating to the Utility's compliance with laws, rules, regulations, or orders applicable to its operations, including the construction, expansion, or replacement of its electric and gas facilities, electric grid reliability, inspection and maintenance practices, customer billing and privacy, physical and cybersecurity, environmental laws and regulations; and the outcome of existing and future SED notices of violations;

- the impact of environmental remediation laws, regulations, and orders; the ultimate amount of costs incurred to discharge the Utility's known and unknown remediation obligations; and the extent to which the Utility is able to recover environmental costs in rates or from other sources;
- the impact of SB 100, which was signed into law on September 10, 2018, that increases the percentage from 50% to 60% of California's electricity portfolio that must come from renewables by 2030; and establishes state policy that 100% of all retail electricity sales must come from renewable portfolio standard-eligible or carbon-free resources by 2045;
- how the CPUC and the CARB implement state environmental laws relating to GHG, renewable energy targets, energy efficiency standards, DERs, EVs, and similar matters, including whether the Utility is able to continue recovering associated compliance costs, such as the cost of emission allowances and offsets under cap-and-trade regulations; and whether the Utility is able to timely recover its associated investment costs;
- the impact of the California governor's executive order issued on January 26, 2018, to implement a new target of five million zero-emission vehicles on the road in California by 2030;
- the ultimate amount of unrecoverable environmental costs the Utility incurs associated with the Utility's natural gas compressor station site located near Hinkley, California and the Utility's fossil fuel-fired generation sites;
- the impact of new legislation or NRC regulations, recommendations, policies, decisions, or orders relating to the nuclear industry, including operations, seismic design, security, safety, relicensing, the storage of spent nuclear fuel, decommissioning, cooling water intake, or other issues; the impact of potential actions, such as legislation, taken by state agencies that may affect the Utility's ability to continue operating Diablo Canyon until its planned retirement;
- the impact of wildfires, droughts, floods, or other weather-related conditions or events, climate change, natural disasters, acts of terrorism, war, vandalism (including cyber-attacks), downed power lines, and other events, that can cause unplanned outages, reduce generating output, disrupt the Utility's service to customers, or damage or disrupt the facilities, operations, or information technology and systems owned by the Utility, its customers, or third parties on which the Utility relies, and the reparation and other costs that the Utility may incur in connection with such conditions or events; the impact of the adequacy of the Utility's emergency preparedness; whether the Utility incurs liability to third parties for property damage or personal injury caused by such events; whether the Utility is subject to civil, criminal, or regulatory penalties in connection with such events; and whether the Utility's insurance coverage is available for these types of claims and sufficient to cover the Utility's liability;
- whether the Utility's climate change adaptation strategies are successful;
- the breakdown or failure of equipment that can cause damages, including fires, and unplanned outages; and whether the Utility will be subject to investigations, penalties, and other costs in connection with such events;
- the impact that reductions in Utility customer demand for electricity and natural gas, driven by customer departures to CCAs and DA providers, have on the Utility's ability to make and recover its investments through rates and earn its authorized return on equity, and whether the Utility is successful in addressing the impact of growing distributed and renewable generation resources, and changing customer demand for its natural gas and electric services;
- the supply and price of electricity, natural gas, and nuclear fuel; the extent to which the Utility can manage and respond to the volatility of energy commodity prices; the ability of the Utility and its counterparties to post or return collateral in connection with price risk management activities; and whether the Utility is able to recover timely its electric generation and energy commodity costs through rates, including its renewable energy procurement costs;
- the amount and timing of charges reflecting probable liabilities for third-party claims; the extent to which costs incurred in connection with third-party claims or litigation can be recovered through insurance, rates, or from other third parties; and whether the Utility can continue to obtain adequate insurance coverage for future losses or claims, especially following a major event that causes widespread third-party losses;

- the impact of the regulation of utilities and their holding companies, including how the CPUC interprets and enforces the financial and other conditions imposed on PG&E Corporation when it became the Utility's holding company, and whether the uncertainty in connection with the 2018 Camp fire and the 2017 Northern California wildfires, the ultimate outcomes of the CPUC's pending investigations, and other enforcement matters will impact the Utility's ability to make distributions to PG&E Corporation;
- the outcome of federal or state tax audits and the impact of any changes in federal or state tax laws, policies, regulations, or their interpretation;
- changes in the regulatory and economic environment, including potential changes affecting renewable energy sources and associated tax credits, as a result of the current federal administration; and
- the impact of changes in GAAP, standards, rules, or policies, including those related to regulatory accounting, and the impact of changes in their interpretation or application.

For more information about the significant risks that could affect the outcome of the forward-looking statements and PG&E Corporation's and the Utility's future financial condition, results of operations, liquidity, and cash flows, see Item 1A. Risk Factors below and a detailed discussion of these matters contained in Item 7. MD&A. PG&E Corporation and the Utility do not undertake any obligation to update forward-looking statements, whether in response to new information, future events, or otherwise.

## **PART I**

### **ITEM 1. BUSINESS**

PG&E Corporation, incorporated in California in 1995, is a holding company whose primary operating subsidiary is Pacific Gas and Electric Company, a public utility operating in northern and central California. The Utility was incorporated in California in 1905. PG&E Corporation became the holding company of the Utility and its subsidiaries in 1997. The Utility generates revenues mainly through the sale and delivery of electricity and natural gas to customers. PG&E Corporation's and the Utility's operating revenues, income, and total assets can be found below in Item 6. Selected Financial Data.

The principal executive offices of PG&E Corporation and the Utility are located at 77 Beale Street, P.O. Box 770000, San Francisco, California 94177. PG&E Corporation's telephone number is (415) 973-1000 and the Utility's telephone number is (415) 973-7000.

This is a combined Annual Report on Form 10-K for PG&E Corporation and the Utility. Each of PG&E Corporation and the Utility is a separate entity, with distinct creditors and claimants, and is subject to separate laws, rules, and regulations.

At December 31, 2019, PG&E Corporation and the Utility had approximately 23,000 regular employees, approximately 12 of which were employees of PG&E Corporation. Of the Utility's regular employees, approximately 15,000 are covered by collective bargaining agreements with the local chapters of three labor unions: the International Brotherhood of Electrical Workers (IBEW) Local 1245; the Engineers and Scientists of California (ESC) IFPTE 20; and the Service Employees International Union. The collective bargaining agreements currently in effect will expire on December 31, 2021. As part of the bankruptcy plan of reorganization, the IBEW Local 1245, and the Utility reached a tentative agreement to extend the current collective bargaining agreement that is set to expire on December 31, 2021 through December 31, 2025. The tentative agreement increases wages annually by 3.75% from 2022 through 2025 and maintains current contributions to specified benefits. The IBEW represents approximately 50% of the Utility's employee workforce, and supports several areas of the Utility's business, including gas and electric operations. The Utility plans to work with its other unions, the Engineers and Scientists of California, Local 20, and Service Employees International Union, Local 24/7 to negotiate potential contract extensions.

PG&E Corporation's and the Utility's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and proxy statements, are available free of charge on both PG&E Corporation's website, [www.pgecorp.com](http://www.pgecorp.com), and the Utility's website, [www.pge.com](http://www.pge.com), as promptly as practicable after they are filed with, or furnished to, the SEC. Additionally, PG&E Corporation and the Utility routinely provide links to the Utility's principal regulatory proceedings before the CPUC and the FERC at <http://investor.pgecorp.com>, under the "Regulatory Filings" tab, so that such filings are available to investors upon filing with the relevant agency. PG&E Corporation and the Utility also routinely post or provide direct links to presentations, documents, and other information that may be of interest to investors at <http://investor.pgecorp.com>, under the "Chapter 11," "Wildfire Updates" and "News & Events: Events & Presentations" tabs, respectively, in order to publicly disseminate such information. It is possible that any of these filings or information included therein could be deemed to be material information. The information contained on such websites are not part of this or any other report that PG&E Corporation or the Utility files with, or furnishes to, the SEC. PG&E Corporation and the Utility are providing the address to such websites solely for the information of investors and do not intend the addresses to be an active link.

In 2019, 2018 and 2017, Northern California experienced major wildfires. For more information about the 2019 Kincadee fire, the 2018 Camp fire and the 2017 Northern California wildfires, see Item 3. Legal Proceedings, Item 7. MD&A, and Note 14 of the Notes to the Consolidated Financial Statements in Item 8.

This 2019 Form 10-K contains forward-looking statements that are necessarily subject to various risks and uncertainties. For a discussion of the significant risks that could affect the outcome of these forward-looking statements and PG&E Corporation's and the Utility's future financial condition, results of operations, liquidity, and cash flows, see Item 1A. Risk Factors and the section entitled "Forward-Looking Statements" above.

### **Chapter 11 Proceedings**

On January 29, 2019, PG&E Corporation and the Utility filed for Chapter 11 protection. For more information about the Chapter 11 bankruptcy filings see Item 7. MD&A and Note 2 of the Notes to the Consolidated Financial Statements in Item 8.

PG&E Corporation and the Utility suffered material losses as a result of the 2017 Northern California wildfires and the 2018 Camp fire, which contributed to the decision to file for Chapter 11 protection. Management has concluded that these circumstances raise substantial doubt about PG&E Corporation's and the Utility's ability to continue as going concerns, and their independent registered public accountants have included an explanatory paragraph in their auditors' report which states certain conditions exist which raise substantial doubt about PG&E Corporation's and the Utility's ability to continue as going concerns in relation to the foregoing. For more information about these matters, see Item 7. MD&A and Note 1 of the Notes to the Consolidated Financial Statements in Item 8.

### **Regulatory Environment**

The Utility's business is subject to the regulatory jurisdiction of various agencies at the federal, state, and local levels. At the state level, the Utility is regulated primarily by the CPUC. At the federal level, the Utility is subject to the jurisdiction of the FERC and the NRC. The Utility is also subject to the requirements of other federal, state and local regulatory agencies, including with respect to safety, the environment, and health. This section and the "Ratemaking Mechanisms" section below summarize some of the more significant laws, regulations, and regulatory proceedings affecting the Utility.

PG&E Corporation is a "public utility holding company" as defined under the Public Utility Holding Company Act of 2005 and is subject to regulatory oversight by the FERC. PG&E Corporation and its subsidiaries are exempt from all requirements of the Public Utility Holding Company Act of 2005 other than the obligation to provide access to their books and records to the FERC and the CPUC for ratemaking purposes.

#### ***The California Public Utilities Commission***

The CPUC is a regulatory agency that regulates privately owned public utilities in California. The CPUC has jurisdiction over the rates and terms and conditions of service for the Utility's electric and natural gas distribution operations, electric generation, and natural gas transmission and storage services. The CPUC also has exercised jurisdiction over the Utility's issuances of securities, dispositions of utility assets and facilities, energy purchases on behalf of the Utility's electric and natural gas retail customers, rates of return, rates of depreciation, oversight of nuclear decommissioning, and aspects of the siting of facilities used in providing electric and natural gas utility service.

The CPUC enforces state laws and regulations that set forth safety requirements pertaining to the design, construction, testing, operation, and maintenance of utility gas and electric facilities. The CPUC can impose penalties of up to \$100,000 per day, per violation. The CPUC has wide discretion to determine the amount of penalties based on the totality of the circumstances, including such factors as the gravity of the violations; the type of harm caused by the violations and the number of persons affected; and the good faith of the entity charged in attempting to achieve compliance, after notification of a violation. The CPUC also is required to consider the appropriateness of the amount of the penalty to the size of the entity charged.

The CPUC has delegated authority to the SED to issue citations and impose penalties for violations identified through audits, investigations, or self-reports. Under the current gas and electric citation programs adopted by the CPUC in September 2016, the SED has discretion whether to issue a penalty for each violation, but if it assesses a penalty for a violation, it has the authority to impose the maximum statutory penalty of \$100,000, with an administrative limit of \$8 million per citation issued. The SED may, at its discretion, impose penalties on a daily basis, or on less than a daily basis, for violations that continued for more than one day. The SED has the discretion to either address each violation in a distinct citation or to include multiple violations in a single citation regardless of whether the violations occurred in the same incident or are of a similar nature. Penalty payments for citations issued pursuant to the gas and electric safety citation programs are the responsibility of shareholders of an issuer and must not be recovered in rates or otherwise directly or indirectly charged to customers.

The California State Legislature also directs the CPUC to implement state laws and policies, such as the laws relating to wildfires and wildfire cost recovery, increasing renewable energy resources, the development and widespread deployment of distributed generation and self-generation resources, the reduction of GHG emissions, the establishment of energy storage procurement targets, and the development of a state-wide electric vehicle charging infrastructure. The CPUC is responsible for approving funding and administration of state-mandated public purpose programs such as energy efficiency and other customer programs. The CPUC also conducts audits and reviews of the Utility's accounting, performance, and compliance with regulatory guidelines.

The CPUC has imposed various conditions that govern the relationship between the Utility and PG&E Corporation and other affiliates, including financial conditions that require PG&E Corporation's Board of Directors to give first priority to the capital requirements of the Utility, as determined to be necessary and prudent to meet the Utility's obligation to serve or to operate the Utility in a prudent and efficient manner. (For more information, see "Liquidity and Financial Resources" in Item 7. MD&A and Item 1A. Risk Factors.)

#### ***The Federal Energy Regulatory Commission and the California Independent System Operator***

The FERC has jurisdiction over the Utility's electric transmission revenue requirements and rates, the licensing of substantially all of the Utility's hydroelectric generation facilities, and the interstate sale and transportation of natural gas. The FERC regulates the interconnections of the Utility's transmission systems with other electric system and generation facilities, the tariffs and conditions of service of regional transmission organizations and the terms and rates of wholesale electricity sales. The FERC also is charged with adopting and enforcing mandatory standards governing the reliability of the nation's electric transmission grid, including standards to protect the nation's bulk power system against potential disruptions from cyber and physical security breaches. FERC approval is also required under Federal Power Act Section 203 before undertaking certain transactions, including most mergers and consolidations, certain transactions that result in a change in control of a utility, purchases of utility securities and dispositions of utility property. The FERC has authority to impose fines of up to \$1 million per day for violations of certain federal statutes and regulations.

The CAISO is the FERC-approved regional transmission organization for the Utility's service territory. The CAISO controls the operation of the electric transmission system in California and provides open access transmission service on a non-discriminatory basis. The CAISO is also responsible for planning transmission system additions, ensuring the maintenance of adequate reserves of generating capacity, ensuring that the reliability of the transmission system is maintained, and operating an interstate EIM.

### ***The Nuclear Regulatory Commission***

The NRC oversees the licensing, construction, operation and decommissioning of nuclear facilities, including the Utility's two nuclear generating units at Diablo Canyon and the Utility's retired nuclear generating unit at Humboldt Bay. (See "Electricity Resources" below.) NRC regulations require extensive monitoring and review of the safety, radiological, seismic, environmental, and security aspects of these facilities. In the event of non-compliance, the NRC has the authority to impose fines or to force a shutdown of a nuclear plant, or both. NRC safety and security requirements have, in the past, necessitated substantial capital expenditures at Diablo Canyon, and substantial capital expenditures could be required in the future. (For more information about Diablo Canyon, see Item 3. Legal Proceedings below.)

### ***Third-party Monitor***

On April 12, 2017, the Utility retained a third-party monitor at the Utility's expense as part of its compliance with the sentencing terms of the Utility's January 27, 2017 federal criminal conviction, which sentenced the Utility to, among other things, a five-year corporate probation period and oversight by a third-party monitor for a period of five years, with the ability to apply for early termination after three years. The goal of the third-party monitor is to help ensure that the Utility takes reasonable and appropriate steps to maintain the safety of its gas and electric operations and maintains effective ethics, compliance, and safety related incentive programs on a Utility-wide basis. (For more information see Item 1A. Risk Factors and in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

### ***Other Regulators***

The CEC is the state's primary energy policy and planning agency. The CEC is responsible for licensing all thermal power plants over 50 MW within California. The CEC also is responsible for forecasts of future energy needs used by the CPUC in determining the adequacy of the utilities' electricity procurement plans and for adopting building and appliance energy efficiency requirements.

The CARB is the state agency responsible for setting and monitoring GHG and other emission limits. The CARB is also responsible for adopting and enforcing regulations to implement state law requirements to gradually reduce GHG emissions in California. (See "Environmental Regulation - Air Quality and Climate Change" below.)

In addition, the Utility obtains permits, authorizations, and licenses in connection with the construction and operation of the Utility's generation facilities, electricity transmission lines, natural gas transportation pipelines, and gas compressor station facilities. The Utility also periodically obtains permits, authorizations, and licenses in connection with distribution of electricity and natural gas that grant the Utility rights to occupy and/or use public property for the operation of the Utility's business and to conduct certain related operations. The Utility has franchise agreements with approximately 300 cities and counties that permit the Utility to install, operate, and maintain the Utility's electric and natural gas facilities in the public streets and highways. In exchange for the right to use public streets and highways, the Utility pays annual fees to the cities and counties. In most cases, the Utility's franchise agreements are for an indeterminate term, with no expiration date. (For more information see Item 1A. Risk Factors.)

### ***Ratemaking Mechanisms***

The Utility's rates for electric and natural gas utility services are set at levels that are intended to allow the Utility to recover its costs of providing service and a return on invested capital ("cost-of-service ratemaking"). Before setting rates, the CPUC and the FERC conduct proceedings to determine the annual amount that the Utility will be authorized to collect from its customers ("revenue requirements"). The Utility's revenue requirements consist primarily of a base amount set to enable the Utility to recover its reasonable operating expenses (e.g., maintenance, administration and general expenses) and capital costs (e.g., depreciation, and financing expenses). In addition, the CPUC authorizes the Utility to collect revenues to recover costs that the Utility is allowed to "pass-through" to customers (referred to as "Utility Revenues and Costs that did not Impact Earnings" in Item 7. MD&A), including its costs to procure electricity, natural gas and nuclear fuel, to administer public purpose and customer programs, and to decommission its nuclear facilities.



The Utility's rate of return on electric transmission assets is determined in the FERC TO proceedings. Similarly, the authorized rate of return on all other Utility assets is set in the CPUC's cost of capital proceeding. Other than certain gas transmission and storage revenues, the Utility's base revenues are "decoupled" from its sales volume through certain regulatory balancing accounts, or revenue adjustment mechanisms, that are designed to allow the Utility to fully collect its authorized base revenue requirements. As a result, the Utility's base revenues are not impacted by fluctuations in sales resulting from, for example, weather or economic conditions. The Utility's earnings primarily depend on its ability to manage its base operating and capital costs (referred to as "Utility Revenues and Costs that Impacted Earnings" in Item 7. MD&A) within its authorized base revenue requirements.

Due to the seasonal nature of the Utility's business and rate design, customer electric bills are generally higher during summer months (May - October) because of higher demand, driven by air conditioning loads. Customer bills related to gas service generally increase during the winter months (November - March) to account for the gas peak due to heating.

From time to time, the CPUC may use incentive ratemaking mechanisms that provide the Utility an opportunity to earn some additional revenues. For example, the Utility has earned incentives for the successful implementation of energy efficiency programs. See "Regulatory Matters" in Item 7. MD&A for more information on specific CPUC proceedings.

## **Base Revenues**

### *General Rate Cases*

The GRC is the primary proceeding in which the CPUC determines the amount of base revenue requirements that the Utility is authorized to collect from customers to recover the Utility's anticipated costs, including return on rate base, related to its electric distribution, natural gas distribution, and Utility-owned electric generation operations. The CPUC generally conducts a GRC every three or four years. The CPUC approves the annual revenue requirements for the first year (or "test year") of the GRC period and typically authorizes the Utility to receive annual increases in revenue requirements for the subsequent years of the GRC period (known as "attrition years"). Attrition year rate adjustments are generally provided for cost increases related to increases in invested capital and inflation. Parties in the Utility's GRC include the PAO and TURN, which generally represent the overall interests of residential customers, as well as numerous intervenors that represent other business, community, customer, environmental, and union interests.

On January 16, 2020, the CPUC approved a final decision in its OIR to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the GRC Plan, as a result of which the Utility will combine its GRC and GT&S rate cases starting with the 2023 GRC and 2023 GT&S rate case. (For more information about the Utility's GRC, see "Regulatory Matters 2017 General Rate Case" and "Regulatory Matters 2020 General Rate Case" in Item 7. MD&A.)

### *Natural Gas Transmission and Storage Rate Cases*

The CPUC determines the Utility's authorized revenue requirements and rates for its natural gas transmission and storage services in the GT&S rate case. The CPUC generally conducts a GT&S rate case every three or four years. Similar to the GRC, the CPUC approves the annual revenue requirements for the first year (or "test year") of the GT&S rate case period and typically determines annual increases in revenue requirements for attrition years of the GT&S rate case period. Parties in the Utility's GT&S rate case include the PAO and TURN, who generally represent the overall interests of residential customers, as well as other intervenors who represent other business, community, customer, environmental, and union interests.

As previously mentioned, on January 16, 2020, the CPUC approved a final decision that requires the Utility to combine its GRC and GT&S rate cases starting with the 2023 GRC and 2023 GT&S rate case. (For more information, see "Regulatory Matters - 2015 Gas Transmission and Storage Rate Case" and "Regulatory Matters - 2019 Gas Transmission and Storage Rate Case" in Item 7. MD&A.)

### *Cost of Capital Proceedings*

The CPUC periodically conducts a cost of capital proceeding to authorize the Utility's capital structure and rates of return for its electric generation, electric and natural gas distribution, and natural gas transmission and storage rate base. On December 19, 2019, the CPUC issued a final decision that authorizes the Utility's capital structure through 2023, consisting of 52% common equity, 47.5% long-term debt, and 0.5% preferred stock. The CPUC also set the authorized ROE through 2023 at 10.25% and reset the cost of debt to 5.16%. The CPUC also authorized the continuation of an adjustment mechanism to allow the Utility's cost of debt and ROE to be adjusted if the utility bond index changes by certain thresholds, which are reviewed annually. The CPUC has indicated it will determine in the OII to Consider PG&E Corporation's and the Utility's Proposed Plan of Reorganization if the Utility needs to submit a cost of capital application after it emerges from Chapter 11.

### *Electricity Transmission Owner Rate Cases*

The FERC determines the amount of authorized revenue requirements, including the rate of return on electric transmission assets, that the Utility may collect in rates in the TO rate case. The Utility has historically filed a TO rate case every year. The FERC typically authorizes the Utility to charge new rates based on the requested revenue requirement, subject to refund, before the FERC has issued a final decision. In 2018, the Utility filed a formula rate at FERC, which would be updated annually according to the formula. These FERC-approved rates are included by the CPUC in the Utility's retail electric rates and by the CAISO in its Transmission Access Charges to wholesale customers. (For more information, see "Regulatory Matters - Transmission Owner Rate Cases" in Item 7. MD&A.) The Utility also recovers a portion of its revenue requirements for its wholesale electric transmission costs through charges collected under specific contracts with wholesale transmission customers that the Utility entered into before the CAISO began its operations. These wholesale customers are charged individualized rates based on the terms of their contracts.

### *Memorandum Account Costs*

Periodically, costs arise which could not be anticipated by the Utility during CPUC GRC rate requests or which are deliberately excluded therefrom. These costs may result from catastrophic events, changes in regulation, or extraordinary changes in operating practices. The Utility may seek authority to track incremental costs in a memorandum account and the CPUC may authorize recovery of costs tracked in memorandum accounts if the costs are deemed incremental and prudently incurred. These accounts allow the Utility to track the costs associated with work related to disaster and wildfire response, and other wildfire prevention-related costs. While the Utility believes such costs are recoverable, rate recovery requires CPUC authorization in separate proceedings or through a GRC. (For more information, see "Regulatory Matters - Wildfire Expense Memorandum Account," "Regulatory Matters - Catastrophic Expense Memorandum Account," and "Regulatory Matters - Fire Hazard Prevention Memorandum Account" in Item 7. MD&A.)

### ***Revenues to Recover Energy Procurement and Other Pass-Through Costs***

#### *Electricity Procurement Costs*

California investor-owned electric utilities are responsible for procuring electrical capacity required to meet bundled customer demand, plus applicable reserve margins, that are not satisfied from their own generation facilities and existing electric contracts. The utilities are responsible for scheduling and bidding electric generation resources, including certain electricity procured from third parties into the wholesale market, to meet customer demand according to which resources are the least expensive (i.e., using the principles of "least-cost dispatch"). In addition, the utilities are required to obtain CPUC approval of their BPPs based on long-term demand forecasts. In October 2015, the CPUC approved the Utility's most recent comprehensive BPP. It was revised since its initial approval and will remain in effect as revised until superseded by a subsequent CPUC-approved plan. On February 8, 2019, the CPUC approved the Utility's filing that permitted the Utility to temporarily manage certain elements of its current BPP as a result of its financial condition, effective as of January 16, 2019. Additionally, on January 25, 2019, the Utility filed with the CPUC an update to its BPP to further refine how it manages certain elements of its procurement activity and provide detail of its sales framework. The updated BPP was effective upon CPUC approval on May 30, 2019.

California law allows electric utilities to recover the costs incurred in compliance with their CPUC-approved BPPs without further after-the-fact reasonableness review by the CPUC. The CPUC may disallow costs associated with electricity purchases if the costs were not incurred in compliance with the CPUC-approved plan or if the CPUC determines that the utility failed to follow the principles of least-cost dispatch. Additionally, the CPUC may disallow the cost of replacement power procured due to unplanned outages at utility-owned generation facilities.

The Utility recovers its electric procurement costs annually primarily through balancing accounts. (See Note 4 of the Notes to the Consolidated Financial Statements in Item 8.) Each year, the CPUC reviews the Utility's forecasted procurement costs related to power purchase agreements, derivative instruments, GHG emissions costs, and generation fuel expense, and approves a forecasted revenue requirement. The CPUC may adjust the Utility's retail electric rates more frequently if the forecasted aggregate over-collections or under-collections in the energy resource recovery account exceed 5% of its prior year electric procurement and Utility-owned generation revenues. The CPUC performs an annual compliance review of the transactions recorded in the energy resource recovery account.

The CPUC has approved various power purchase agreements that the Utility has entered into with third parties in accordance with the Utility's CPUC-approved procurement plan, to meet mandatory renewable energy targets, and to comply with resource adequacy requirements. (For more information, see "Electric Utility Operations - Electricity Resources" below as well as Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

#### *Natural Gas Procurement, Storage, and Transportation Costs*

The Utility recovers the cost of gas used in generation facilities as a cost of electricity that is recovered annually through retail electric rates.

The Utility sets the natural gas procurement rate for small commercial and residential customers (referred to as "core" customers) monthly, based on the forecasted costs of natural gas, core pipeline capacity and storage costs. The Utility recovers the cost of gas purchased on behalf of core customers as well as the cost of derivative instruments for its core gas portfolio, through its retail gas rates, subject to limits as set forth in its core procurement incentive mechanism described below. The Utility reflects the difference between actual natural gas purchase costs and forecasted natural gas purchase costs in several natural gas balancing accounts, with under-collections and over-collections taken into account in subsequent monthly rate changes.

The core procurement incentive mechanism protects the Utility against after-the-fact reasonableness reviews of its gas procurement costs for its core gas portfolio. Under the core procurement incentive mechanism, the Utility's natural gas purchase costs for a fixed 12-month period are compared to an aggregate market-based benchmark based on a weighted average of published monthly and daily natural gas price indices at the points where the Utility typically purchases natural gas. Costs that fall within a tolerance band, which is 99% to 102% of the commodity benchmark, are considered reasonable and are fully recovered in customers' rates. One-half of the costs above 102% of the benchmark are recoverable in customers' rates, and the Utility's customers receive in their rates 80% of any savings resulting from the Utility's cost of natural gas that is less than 99% of the benchmark. The Utility retains the remaining amount of these savings as incentive revenues, subject to a cap equal to 1.5% of total natural gas commodity costs. While this mechanism remains in place, changes in the price of natural gas, consistent with the market-based benchmark, are not expected to materially impact net income.

The Utility incurs transportation costs under various agreements with interstate and Canadian third-party transportation service providers. These providers transport natural gas from the points at which the Utility takes delivery of natural gas (typically in Canada, the U.S. Rocky Mountains, and the southwestern United States) to the points at which the Utility's natural gas transportation system begins. These agreements are governed by FERC-approved tariffs that detail rates, rules, and terms of service for the provision of natural gas transportation services to the Utility on interstate and Canadian pipelines. The FERC approves the United States tariffs that shippers, including the Utility, pay for pipeline service, and the applicable Canadian tariffs are approved by the National Energy Board, a Canadian regulatory agency. The transportation costs the Utility incurs under these agreements are recovered through CPUC-approved rates as core natural gas procurement costs or as a cost of electricity.

### *Costs Associated with Public Purpose and Customer Programs*

The CPUC authorizes the Utility to recover the costs of various public purpose and other customer programs through the collection of rates from most Utility customers. These programs relate to energy efficiency, demand response, distributed generation, energy research and development, and other matters. Additionally, the CPUC has authorized the Utility to provide discounted rates for specified types of customers, such as for low-income customers under the California Alternate Rates for Energy (“CARE”) program, which is paid for by the Utility’s other customers.

### *Nuclear Decommissioning Costs*

The Utility’s nuclear power facilities consist of two units at Diablo Canyon and the retired facility at Humboldt Bay. Nuclear decommissioning requires the safe removal of nuclear facilities from service and the reduction of residual radioactivity to a level that permits termination of the NRC license and release of the property for unrestricted use. Nuclear decommissioning costs are generally collected in advance through rates and are held in nuclear decommissioning trusts to be used for the eventual decommissioning of each nuclear unit. The Utility files an application with the CPUC every three years requesting approval of the Utility’s updated estimated decommissioning costs and any rate change necessary to fully fund the nuclear decommissioning trusts to the levels needed to decommission the Utility’s nuclear plants.

For costs related to Asset Retirement Obligations see “Nuclear Decommissioning Obligation” in Note 3 of the Notes to the Consolidated Financial Statements in item 8.

### **Electric Utility Operations**

The Utility generates electricity and provides electric transmission and distribution services throughout its service territory in northern and central California to residential, commercial, industrial, and agricultural customers. The Utility provides “bundled” services (i.e., electricity, transmission and distribution services) to customers in its service territory. Customers also can obtain electricity from alternative providers such as municipalities or CCAs, as well as from self-generation resources, such as rooftop solar installations. (For more information, see “Regulatory Matters” in Item 7. MD&A.)

### *Electricity Resources*

The Utility is required to maintain capacity adequate to meet its customers’ demand for electricity (“load”), including peak demand and planning and operating reserves, deliverable to the locations and at times as may be necessary to provide reliable electric service. The Utility is required to dispatch, or schedule all of the electric resources within its portfolio using least-cost dispatch.

The following table shows the percentage of the Utility’s total deliveries of electricity to customers in 2019 represented by each major electric resource, and further discussed below.

Total 2019 actual electricity generated and procured (net) - 35,956 GWh<sup>(1)</sup>:

	Percent of Bundled Retail Sales (actual procurement)	Percent of Bundled Retail Sales (Power Content Label) <sup>(2)</sup>
<b>Owned Generation Facilities</b>		
Nuclear	45.0 %	41.7 %
Small Hydroelectric	2.4 %	2.2 %
Large Hydroelectric	28.3 %	26.3 %
Fossil fuel-fired	17.6 %	— %
Solar	0.8 %	0.7 %
<b>Total</b>	<b>94.1 %</b>	<b>70.9 %</b>
<b>Qualifying Facilities</b>		
Renewable	0.6 %	0.6 %
Non-Renewable	6.4 %	— %
<b>Total</b>	<b>7.0 %</b>	<b>0.6 %</b>
<b>Irrigation Districts and Water Agencies</b>		
Small Hydroelectric	0.1 %	0.1 %
Large Hydroelectric	— %	— %
<b>Total</b>	<b>0.1 %</b>	<b>0.1 %</b>
<b>Other Third-Party Purchase Agreements</b>		
Renewable	25.8 %	23.8 %
Large Hydroelectric	5.0 %	4.6 %
Non-Renewable	12.6 %	— %
<b>Total</b>	<b>43.4 %</b>	<b>28.4 %</b>
<b>Others, Net<sup>(2)(3)</sup></b>	<b>(44.6) %</b>	<b>— %</b>
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

<sup>(1)</sup> This amount excludes electricity provided by direct access providers and CCAs that procure their own supplies of electricity for their respective customers.

<sup>(2)</sup> The allocation of bundled retail sale amounts and “Others, Net” in the “Power Content Label” column is consistent with current CEC guidelines, applied to specified electric generation and procurement volumes (i.e., fossil fuel-fired, nuclear, large hydroelectric, and renewable). Total reported generation and procurement volumes equate to actual electric retail sales.

<sup>(3)</sup> Amount is mainly comprised of net CAISO open market (sales)/purchases.

### Renewable Energy Resources

California law established an RPS that requires load-serving entities, such as the Utility, to gradually increase the amount of renewable energy they deliver to their customers. In October 2015, the California Governor signed SB 350, the Clean Energy and Pollution Reduction Act of 2015 into law. SB 350 became effective January 1, 2016, and increases the amount of renewable energy that must be delivered by most load-serving entities, including the Utility, to their customers from 33% of their total annual retail sales by the end of the 2017-2020 compliance period, to 50% of their total annual retail sales by the end of the 2028- 2030 compliance period, and in each three-year compliance period thereafter, unless changed by legislative action. SB 350 provides compliance flexibility and waiver mechanisms, including increased flexibility to apply excess renewable energy procurement in one compliance period to future compliance periods. In September 2018, the California Governor signed SB 100 into law, increasing from 50% to 60% of California’s electricity portfolio that must come from renewables by 2030; and established state policy that 100 percent of all retail electricity sales must come from RPS-eligible or carbon-free resources by 2045. The Utility may incur additional costs to procure renewable energy to meet the new renewable energy targets, which the Utility expects will continue to be recoverable from customers as “pass-through” costs. The Utility also may be subject to penalties for failure to meet the higher targets. The CPUC is required to open a new rulemaking proceeding to adopt regulations to implement the higher renewable targets.

Renewable generation resources, for purposes of the RPS requirements, include bioenergy such as biogas and biomass, certain hydroelectric facilities (30 MW or less), wind, solar, and geothermal energy. RPS requirements are based on actual procurement, which aligns with the methodology presented in the first column of the table above. Actual procurement from renewable energy sources was 29.7% in 2019. Per the Power Content Label methodology presented in the table above, 27.4% of the Utility’s energy deliveries were from renewable energy sources.

The total 2019 renewable deliveries shown above were comprised of the following:

Type	GWh	Percent of Bundled Retail Sales
Biopower	1,322	3.7 %
Geothermal	539	1.5 %
Wind	3,412	9.5 %
RPS-Eligible Hydroelectric	827	2.3 %
Solar	4,574	12.7 %
<b>Total</b>	<b>10,674</b>	<b>29.7 %</b>

*Energy Storage*

As required by California law, the CPUC established a multi-year energy storage procurement framework, including energy storage procurement targets to be achieved by each load-serving entity under the CPUC jurisdiction, including the Utility. Under the adopted energy storage procurement framework, the Utility is required to procure 580 MW of qualifying storage capacity by the end of 2021, with all energy storage projects required to be operational by the end of 2024.

The CPUC also adopted biennial interim storage targets for the Utility, beginning in 2014 and ending in 2020. Under the adopted framework, the Utility is required to submit biennial energy storage procurement plans to describe its strategy to meet its interim and total energy storage targets.

Through its procurements to date, the Utility has largely met its storage targets. The Utility expects to meet its remaining target through existing customer programs. This outcome may change in the future if projects under contract are terminated or if projects fail to be developed.

### Owned Generation Facilities

At December 31, 2019, the Utility owned the following generation facilities, all located in California, listed by energy source and further described below:

Generation Type	County Location	Number of Units	Net Operating Capacity (MW)
Nuclear <sup>(1)</sup> :			
Diablo Canyon	San Luis Obispo	2	2,240
Hydroelectric <sup>(2)</sup> :			
Conventional	16 counties in northern and central California	102	2,679
Helms pumped storage	Fresno	3	1,212
Fossil fuel-fired:			
Colusa Generating Station	Colusa	1	657
Gateway Generating Station	Contra Costa	1	580
Humboldt Bay Generating Station	Humboldt	10	163
Fuel Cell:			
CSU East Bay Fuel Cell	Alameda	1	1
SF State Fuel Cell	San Francisco	2	2
Photovoltaic <sup>(3)</sup> :	Various	13	152
<b>Total</b>		<b>135</b>	<b>7,686</b>

<sup>(1)</sup> The Utility's Diablo Canyon power plant consists of two nuclear power reactor units, Units 1 and 2. The NRC operating licenses expire in 2024 and 2025, respectively. On January 11, 2018, the CPUC approved the Utility's application to retire Unit 1 by 2024 and Unit 2 by 2025. (See "Diablo Canyon Nuclear Power Plant" in Item 7. MD&A and Item 3. Legal Proceedings.)

<sup>(2)</sup> The Utility's hydroelectric system consists of 105 generating units at 66 powerhouses. All of the Utility's powerhouses are licensed by the FERC (except for two small powerhouses not subject to FERC licensing requirements), with license terms between 30 and 50 years.

<sup>(3)</sup> The Utility's large photovoltaic facilities are Cantua solar station (20 MW), Five Points solar station (15 MW), Gates solar station (20 MW), Giffen solar station (10 MW), Guernsey solar station (20 MW), Huron solar station (20 MW), Stroud solar station (20 MW), West Gates solar station (10 MW), and Westside solar station (15 MW). All of these facilities are located in Fresno County, except for Guernsey solar station, which is located in Kings County.

### Generation Resources from Third Parties

The Utility has entered into various agreements to purchase power and electric capacity, including agreements for renewable energy resources, in accordance with its CPUC-approved procurement plan. (See "Ratemaking Mechanisms" above.) For more information regarding the Utility's power purchase agreements, see Note 15 of the Notes to the Consolidated Financial Statements in Item 8.

### Electricity Transmission

At December 31, 2019, the Utility owned approximately 18,000 circuit miles of interconnected transmission lines operating at voltages ranging from 60 kV to 500 kV. The Utility also operated 33 electric transmission substations with a capacity of approximately 65,000 MVA. The Utility's electric transmission system is interconnected with electric power systems in the Western Electricity Coordinating Council, which includes many western states, the Canadian provinces of Alberta and British Columbia, and parts of Mexico.

Decisions about expansions and maintenance of the transmission system can be influenced by decisions of the Utility's regulators and the CAISO.

### Electricity Distribution

The Utility's electric distribution network consists of approximately 107,000 circuit miles of distribution lines (of which, as of December 31, 2019, approximately 25% are underground and approximately 75% are overhead), 68 transmission switching substations, and 760 distribution substations, with a capacity of approximately 32,000 MVA. The Utility's distribution network interconnects with its transmission system, primarily at switching and distribution substations, where equipment reduces the high-voltage transmission voltages to lower voltages, ranging from 44 kV to 2.4 kV, suitable for distribution to the Utility's customers.

These distribution substations serve as the central hubs for the Utility's electric distribution network. Emanating from each substation are primary and secondary distribution lines connected to local transformers and switching equipment that link distribution lines and provide delivery to end-users. In some cases, the Utility sells electricity from its distribution facilities to entities, such as municipal and other utilities, that resell the electricity. The Utility operates electric distribution control center facilities in Concord, Rocklin, and Fresno, California; these control centers form a key part of the Utility's efforts to create a smarter, more resilient grid.

### Electricity Operating Statistics

The following table shows certain of the Utility's operating statistics from 2017 to 2019 for electricity sold or delivered, including the classification of revenues by type of service. No single customer of the Utility accounted for 10% or more of consolidated revenues for electricity sold in 2019, 2018 or 2017.

	2019	2018	2017
Customers (average for the year)	5,457,101	5,428,318	5,384,525
Deliveries (in GWh) <sup>(1)</sup>	78,070	79,774	82,226
Revenues (in millions):			
Residential	\$ 4,847	\$ 5,051	\$ 5,693
Commercial	4,756	4,908	5,431
Industrial	1,493	1,532	1,603
Agricultural	1,106	1,234	1,069
Public street and highway lighting	67	72	79
Other <sup>(2)</sup>	168	(720)	(294)
Subtotal	12,437	12,077	13,581
Regulatory balancing accounts <sup>(3)</sup>	303	636	(344)
<b>Total operating revenues</b>	<b>\$ 12,740</b>	<b>\$ 12,713</b>	<b>\$ 13,237</b>
Selected Statistics:			
Average annual residential usage (kWh)	5,750	5,772	6,231
Average billed revenues per kWh:			
Residential	\$ 0.1762	\$ 0.1838	\$ 0.1936
Commercial	0.1585	0.1627	0.1716
Industrial	0.1015	0.1010	0.1055
Agricultural	0.2172	0.1968	0.2041
Net plant investment per customer	\$ 8,375	\$ 7,950	\$ 7,486

<sup>(1)</sup> These amounts include electricity provided by direct access providers and CCAs that procure their own supplies of electricity for their respective customers.

<sup>(2)</sup> This activity is primarily related to provisions for rate refunds and unbilled electric revenue, partially offset by other miscellaneous revenue items.

<sup>(3)</sup> These amounts represent revenues authorized to be billed.



## **Natural Gas Utility Operations**

The Utility provides natural gas transportation services to “core” customers (i.e., small commercial and residential customers) and to “non-core” customers (i.e., industrial, large commercial, and natural gas-fired electric generation facilities) that are connected to the Utility’s gas system in its service territory. Core customers can purchase natural gas procurement service (i.e., natural gas supply) from either the Utility or non-utility third-party gas procurement service providers (referred to as “core transport agents”). When core customers purchase gas supply from a core transport agent, the Utility continues to provide gas delivery, metering and billing services to customers. When the Utility provides both transportation and procurement services, the Utility refers to the combined service as “bundled” natural gas service. Currently, more than 97% of core customers, representing approximately 82% of the annual core market demand, receive bundled natural gas service from the Utility.

The Utility generally does not provide procurement service to non-core customers, who must purchase their gas supplies from third-party suppliers, unless the customer is a natural gas-fired generation facility with which the Utility has a power purchase agreement that includes its generation fuel expense. The Utility offers backbone gas transmission, gas delivery (local transmission and distribution), and gas storage services as separate and distinct services to its non-core customers. Access to the Utility’s backbone gas transmission system is available for all natural gas marketers and shippers, as well as non-core customers. The Utility also delivers gas to off-system customers (i.e., outside of the Utility’s service territory) and to third-party natural gas storage customers.

### ***Natural Gas Supplies***

The Utility can receive natural gas from all the major natural gas basins in western North America, including basins in western Canada, the Rocky Mountains, and the southwestern United States. The Utility can also receive natural gas from fields in California. The Utility purchases natural gas to serve its core customers directly from producers and marketers in both Canada and the United States. The contract lengths and natural gas sources of the Utility’s portfolio of natural gas purchase contracts have varied generally based on market conditions. During 2019, the Utility purchased approximately 282,000 MMcf of natural gas (net of the sale of excess supply of gas). Substantially all of this natural gas was purchased under contracts with a term of one year or less. The Utility’s largest individual supplier represented approximately 20% of the total natural gas volume the Utility purchased during 2019.

### ***Natural Gas System Assets***

The Utility owns and operates an integrated natural gas transmission, storage, and distribution system that includes most of northern and central California. At December 31, 2019, the Utility’s natural gas system consisted of approximately 43,300 miles of distribution pipelines, over 6,300 miles of backbone and local transmission pipelines, and various storage facilities. The Utility owns and operates eight natural gas compressor stations on its backbone transmission system and one small station on its local transmission system that are used to move gas through the Utility’s pipelines. The Utility’s backbone transmission system, composed primarily of Lines 300, 400, and 401, is used to transport gas from the Utility’s interconnection with interstate pipelines, other local distribution companies, and California gas fields to the Utility’s local transmission and distribution systems.

The Utility has firm transportation agreements for delivery of natural gas from western Canada to the United States-Canada border with TransCanada NOVA Gas Transmission, Ltd. interconnecting downstream with TransCanada Foothills Pipe Lines Ltd., B.C. System. The Foothills system interconnects at the border to the pipeline system owned by Gas Transmission Northwest, LLC, which provides natural gas transportation services to a point of interconnection with the Utility’s natural gas transportation system on the Oregon-California border near Malin, Oregon. The Utility also has firm transportation agreements with Ruby Pipeline, LLC to transport natural gas from the U.S. Rocky Mountains to the interconnection point with the Utility’s natural gas transportation system in the area of Malin, Oregon, at the California border. Similarly, the Utility has a firm transportation agreement with Transwestern Pipeline Company, LLC to transport natural gas from supply points in the Southwestern United States to interconnection points with the Utility’s natural gas transportation system in the area of California near Topock, Arizona. (For more information regarding the Utility’s natural gas transportation agreements, see Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

The Utility owns and operates three underground natural gas storage fields and has a 25% interest in a fourth storage field, all of which are connected to the Utility's transmission system. The Utility owns and operates compressors and other facilities at these storage fields that are used to inject gas into the fields for storage and later withdrawal. In addition, four independent storage operators are interconnected to the Utility's northern California transmission system. In 2019, the CPUC approved the discontinuation (through closure or sale) of operations at two gas storage fields. (For more information, see "Regulatory Matters - 2019 Gas Transmission and Storage Rate Case" in Item 7. MD&A.)

In 2019, the Utility continued upgrading transmission pipeline to allow for the use of in-line inspection tools and continued its work on the final NTSB recommendation from its San Bruno investigation to hydrostatically test all high consequence pipeline mileage. The Utility currently plans to complete this NTSB recommendation by 2022 for remaining short pipeline segments that include tie-in pieces, fittings or smaller diameter off-takes from the larger transmission pipelines.

### *Natural Gas Operating Statistics*

The following table shows the Utility's operating statistics from 2017 through 2019 (excluding subsidiaries) for natural gas, including the classification of revenues by type of service. No single customer of the Utility accounted for 10% or more of consolidated revenues for bundled gas sales in 2019, 2018 or 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Customers (average for the year) <sup>(1)</sup>	4,518,209	4,495,279	4,467,657
Gas purchased (MMcf)	227,621	219,061	234,181
Average price of natural gas purchased	\$ 2.08	\$ 2.02	\$ 2.3
Bundled gas sales (MMcf):			
Residential	162,876	156,917	160,969
Commercial	54,479	51,357	50,329
<b>Total Bundled Gas Sales</b>	<b>217,355</b>	<b>208,274</b>	<b>211,298</b>
Revenues (in millions):			
Bundled gas sales:			
Residential	\$ 2,325	\$ 2,042	\$ 2,298
Commercial	605	537	541
Other	123	75	(25)
Bundled gas revenues	3,053	2,654	2,814
Transportation service only revenue	1,249	1,151	976
Subtotal	4,302	3,805	3,790
Regulatory balancing accounts <sup>(2)</sup>	87	242	221
<b>Total operating revenues</b>	<b>\$ 4,389</b>	<b>\$ 4,047</b>	<b>\$ 4,011</b>
Selected Statistics:			
Average annual residential usage (Mcf)	38	38	38
Average billed bundled gas sales revenues per Mcf:			
Residential	\$ 13.88	\$ 12.67	\$ 14.27
Commercial	9.72	9.04	11.36
Net plant investment per customer	\$ 3,522	\$ 3,417	\$ 3,093

<sup>(1)</sup> These amounts include natural gas provided by core transport agents and CCAs that procure their own supplies of natural gas for their respective customers.

<sup>(2)</sup> These amounts represent revenues authorized to be billed.

## **Competition**

### ***Competition in the Electricity Industry***

California law allows qualifying non-residential electric customers of investor-owned electric utilities to purchase electricity from energy service providers rather than from the utilities up to certain annual and overall GWh limits that have been specified for each utility. This arrangement is known as “direct access,” or DA. In 2018, the California legislature passed a bill to expand the statewide DA cap by 4,000 GWh, and directed the CPUC to consider whether DA should be further expanded, and to present a report on this matter to the legislature by June 30, 2020. In addition, California law permits cities, counties, and certain other public agencies that have qualified to become a CCA to generate and/or purchase electricity for their local residents and businesses. By law, a CCA can procure electricity for all of its residents and businesses that do not affirmatively elect to continue to receive electricity generated or procured by a utility. On June 3, 2019, the CPUC issued an order implementing the 4,000 GWh increase for DA transactions, including an apportionment to the Utility’s service area of approximately 1,873 GWh. The CPUC is currently conducting a study to inform its recommendations to the legislature on implementing a further direct transaction reopening schedule and plans to issue a proposed decision on these issues on May 22, 2020.

The Utility continues to provide transmission, distribution, metering, and billing services to direct access customers, although these customers can choose to obtain metering and billing services from their energy service provider. The CCA customers continue to obtain transmission, distribution, metering, and billing services from the Utility. In addition to collecting charges for transmission, distribution, metering, and billing services that it provides, the Utility is able to collect charges intended to recover the generation-related costs that the Utility incurred on behalf of direct access and CCA customers while they were the Utility’s customers. The Utility remains the electricity provider of last resort for these customers. SB 520 (codified at Section 387 of the Public Utilities Code), which was signed by the governor and became law on October 2, 2019, allows for a request to transfer the responsibilities of the provider of last resort obligation from investor-owned utilities to other entities.

The Utility is also impacted by the increasing viability of distributed generation and energy storage. The levels of self-generation of electricity by customers (primarily solar installations) and the use of customer net energy metering (“NEM”), which allows self-generating customers employing qualifying renewable resources to receive bill credits at the full retail rate, are increasing, putting upward rate pressure on remaining customers. New NEM customers are required to pay an interconnection fee, utilize time of use rates, and are required to pay certain non-bypassable charges to help fund some of the costs of low income, energy efficiency, and other programs that other customers pay. Significantly higher bills for remaining customers may result in a decline of the number of such customers as they may seek alternative energy providers or adopt self-generation technologies. The CPUC has indicated that it intends to commence a new proceeding to revisit its rules related to NEM customers in 2020.

Further, in some circumstances, governmental entities such as cities and irrigation districts, which have authority under the state constitution or state statute to provide retail electric service, may seek to acquire the Utility’s distribution facilities, through eminent domain (although eminent domain is stayed while the Utility is in Chapter 11, unless the Bankruptcy Judge lifts the stay). In 2019, three entities communicated an interest in acquiring certain Utility assets through a voluntary sale during the bankruptcy. It is also possible that some of the governmental entities interested in acquiring the Utility’s assets will construct duplicate distribution facilities to serve existing or potential new Utility customers.

The Utility also competes for the opportunity to develop and construct certain types of electric transmission facilities within, or interconnected to, its service territory through a competitive bidding process managed by the CAISO.

The effect of such types of retail competition generally is to reduce the number of utility customers, leading to a reduction in the amount of electricity purchased from the Utility.

(For risks in connection with increasing competition, see Item 1A. Risk Factors.)

### ***Competition in the Natural Gas Industry***

The Utility competes with other natural gas pipeline companies for customers transporting natural gas into the southern California market on the basis of transportation rates, access to competitively priced supplies of natural gas, and the quality and reliability of transportation services. The Utility also competes for storage services with other third-party storage providers, primarily in northern California.

## **Environmental Regulation**

The Utility's operations are subject to extensive federal, state and local laws and requirements relating to the protection of the environment and the safety and health of the Utility's personnel and the public. These laws and requirements relate to a broad range of activities, including the remediation of hazardous and radioactive substances; the discharge of pollutants into the air, water, and soil; the reporting and reduction of CO<sub>2</sub> and other GHG emissions; the transportation, handling, storage and disposal of spent nuclear fuel; and the environmental impacts of land use, including endangered species and habitat protection. The penalties for violation of these laws and requirements can be severe and may include significant fines, damages, and criminal or civil sanctions. These laws and requirements also may require the Utility, under certain circumstances, to interrupt or curtail operations. (See Item 1A. Risk Factors.) Generally, the Utility recovers most of the costs of complying with environmental laws and regulations in the Utility's rates, subject to reasonableness review. Environmental costs associated with the clean-up of most sites that contain hazardous substances are subject to a ratemaking mechanism described in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.

### ***Hazardous Waste Compliance and Remediation***

The Utility's facilities are subject to various regulations adopted by the U.S. Environmental Protection Agency (EPA), including the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended. The Utility is also subject to the regulations adopted by other federal agencies responsible for implementing federal environmental laws. The Utility also must comply with environmental laws and regulations adopted by the State of California and various state and local agencies. These federal and state laws impose strict liability for the release of a hazardous substance on the (1) owner or operator of the site where the release occurred, (2) on companies that disposed of, or arranged for the disposal of, the hazardous substances, and (3) in some cases, their corporate successors. Under the Comprehensive Environmental Response, Compensation and Liability Act, these persons (known as "potentially responsible parties") may be jointly and severally liable for the costs of cleaning up the hazardous substances, monitoring and paying for the harm caused to natural resources, and paying for the costs of health studies.

The Utility has a comprehensive program in place to comply with these federal, state, and local laws and regulations. Under federal and California laws, the Utility may be responsible for remediation of hazardous substances even if it did not deposit those substances on the site. The Utility's remediation activities are overseen by the California DTSC, several California regional water quality control boards, and various other federal, state, and local agencies. The Utility has incurred significant environmental remediation liabilities associated with former manufactured gas plant sites, power plant sites, gas gathering sites, sites where natural gas compressor stations are located, and sites used by the Utility for the storage, recycling, or disposal of potentially hazardous substances. Groundwater at the Utility's Hinkley and Topock natural gas compressor stations contains hexavalent chromium as a result of the Utility's past operating practices. The Utility is responsible for remediating this groundwater contamination and for abating the effects of the contamination on the environment.

For more information about environmental remediation liabilities, see Note 15 of the Notes to the Consolidated Financial Statements in Item 8.

### ***Air Quality and Climate Change***

The Utility's electric generation plants, natural gas pipeline operations, vehicle fleet, and fuel storage tanks are subject to numerous air pollution control laws, including the federal Clean Air Act, as well as state and local statutes. These laws and regulations cover, among other pollutants, those contributing to the formation of ground-level ozone, CO<sub>2</sub>, sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), particulate matter, and other emissions.

#### ***Federal Regulation***

At the federal level, the EPA is charged with implementation and enforcement of the Clean Air Act. Although there have been several legislative attempts to address climate change through imposition of nationwide regulatory limits on GHG emissions, comprehensive federal legislation has not yet been enacted. In the absence of federal legislative action, the EPA has used its existing authority under the Clean Air Act to address GHG emissions.

The federal administration of President Donald Trump has generated significant uncertainty with regard to what further actions may occur regarding climate change at the federal level. In the absence of policy at the federal level, the State of California has indicated that it intends to continue and enhance its leadership on climate change nationally and globally.

### *State Regulation*

California's AB 32, the Global Warming Solutions Act of 2006, provides for the gradual reduction of state-wide GHG emissions to 1990 levels by 2020. The CARB has approved various regulations to achieve the 2020 target, including GHG emissions reporting and a state-wide, comprehensive cap-and-trade program that sets gradually declining limits (or "caps") on the amount of GHGs that may be emitted by major GHG emission sources within different sectors of the economy.

The cap-and-trade program's first compliance period, which began on January 1, 2013, applied to the electric generation and large industrial sectors. In the subsequent compliance period, which began on January 1, 2015, the scope of the regulation was expanded to include the natural gas and transportation sectors, effectively covering all of the state economy's major sectors through 2020. The Utility's compliance obligation as a natural gas supplier applies to the GHG emissions attributable to the combustion of natural gas delivered to the Utility's customers other than large natural gas delivery customers that are separately regulated as covered entities and have their own compliance obligation. In 2017, AB 398 extended the program through January 1, 2031. During each year of the program, the CARB issues emission allowances (i.e., the rights to emit GHGs) equal to the amount of GHG emissions allowed for that year. Entities with a compliance obligation can obtain allowances from the CARB at quarterly auctions or from third parties or exchanges. Complying entities may also satisfy a portion of their compliance obligation through the purchase of offset credits; e.g., credits for GHG reductions achieved by third parties (such as landowners, livestock owners, and farmers) that occur outside of the entities' facilities through CARB-qualified offset projects such as reforestation or biomass projects.

SB 32 (2016) requires that CARB ensure a 40% reduction in greenhouse gases by 2030 compared to 1990 levels. In 2017, AB 398 extended the cap-and-trade program through 2030. The Utility expects all costs and revenues associated with the GHG cap-and-trade program to be passed through to customers. The California RPS program that requires the utilities to gradually increase the amount of renewable energy delivered to their customers is also expected to help reduce GHG emissions in California. In September 2018, SB 100 was signed into law, which accelerated the state's 50% RPS target to December 31, 2026, increased the RPS target to 60% by December 31, 2030, and further amended the RPS statute to set a policy of meeting 100% of retail sales from eligible renewables and zero-carbon resources by December 31, 2045.

### *Climate Change Resilience Strategies*

During 2019, the Utility continued its programs to mitigate the impact of the Utility's operations (including customer energy usage) on the environment and to plan for the actions that it will need to take to increase its resilience in light of the impacts of climate change on the Utility's operations. The Utility regularly reviews the most relevant scientific literature on climate change such as rising sea levels, major storm events, increasing temperatures and heatwaves, wildfires, drought and land subsidence, to help the Utility identify and evaluate climate change-related risks and develop the necessary resilience strategies. The Utility maintains emergency response plans and procedures to address a range of near-term risks, including wildfires, extreme storms, and heat waves and uses its risk-assessment process to prioritize infrastructure investments for longer-term risks associated with climate change. The Utility also engages with leaders from business, government, academia, and non-profit organizations to share information and plan for the future.

The Utility is working to better understand the current and future impacts of climate change. In 2017, the Utility filed its first RAMP submittal with the CPUC, which examined Utility safety risks. The Climate Resilience RAMP model indicated potential additional Utility safety consequences due to climate change, including in the near term. The Utility is conducting foundational work to help anticipate and plan for evolving conditions in terms of weather and climate-change related events. This work is guiding efforts to design a Utility-wide climate change risk integration strategy. This strategy will inform resource planning and investment, operational decisions, and potential additional programs to identify and pursue mitigations that will incorporate the resilience and safety of the Utility's assets, infrastructure, operations, employees, and customers.

With respect to electric operations, climate scientists project that, sometime in the next several decades, climate change will lead to increased electricity demand due to more extreme, persistent, and frequent hot weather. The Utility believes its strategies to reduce GHG emissions through energy efficiency and demand response programs, infrastructure improvements, and the use of renewable energy and energy storage are effective strategies for adapting to the expected changes in demand for electricity. The Utility is making substantial investments to build a more modern and resilient system that can better withstand extreme weather and related emergencies. Over the long term, the Utility also faces the risk of higher flooding and inundation potential at coastal and low elevation facilities due to projected sea level rise combined with high tides, storm runoff and storm surges. As the state continues to face increased risk of wildfires, the Utility's activities, including vegetation management, will continue to play an important role to help reduce the risk of wildfire and its impact on electric and gas facilities.

Climate scientists predict that climate change will result in varying temperatures and levels of precipitation in the Utility's service territory. This could, in turn, affect the Utility's hydroelectric generation. To plan for this potential change, the Utility is engaging with state and local stakeholders and is also adopting strategies such as maintaining higher winter carryover reservoir storage levels, reducing discretionary reservoir water releases, and collaborating on research and new modeling tools.

With respect to natural gas operations, both safety-related pipeline strength testing and normal pipeline maintenance and operations release the GHG methane into the atmosphere. The Utility has taken steps to reduce the release of methane by implementing techniques including drafting and cross-compression, which reduce the pressure and volume of natural gas within pipelines prior to venting. In addition, the Utility continues to achieve reductions in methane emissions by implementing improvements in leak detection and repair, upgrades at metering and regulating stations, and maintenance and replacement of other pipeline materials.

### ***Emissions Data***

PG&E Corporation and the Utility track and report their annual environmental performance results across a broad spectrum of areas. The Utility reports its GHG emissions to the CARB and the EPA on a mandatory basis. On a voluntary basis, the Utility reports a more comprehensive emissions inventory to The Climate Registry, a non-profit organization. The Utility's third-party verified voluntary GHG inventory reported to The Climate Registry for 2018, which is the most recent data available, totaled about 47 million metric tonnes of CO<sub>2</sub> equivalent, more than three-quarters of which came from customer natural gas use. The following table shows the 2018 GHG emissions data the Utility reported to the CARB under AB 32, which is the most recent data available. PG&E Corporation and the Utility also publish additional GHG emissions data in their annual Corporate Responsibility and Sustainability Report.

Source	Amount (metric tonnes CO <sub>2</sub> equivalent)
Fossil Fuel-Fired Plants <sup>(1)</sup>	2,512,130
Natural Gas Compressor Stations and Storage Facilities <sup>(2)</sup>	299,256
Distribution Fugitive Natural Gas Emissions	497,299
Customer Natural Gas Use <sup>(3)</sup>	41,664,525

<sup>(1)</sup> Includes nitrous oxide and methane emissions from the Utility's generating stations.

<sup>(2)</sup> Includes emissions from compressor stations and storage facilities that are reportable to CARB.

<sup>(3)</sup> Includes emissions from the combustion of natural gas delivered to all entities on the Utility's distribution system, with the exception of gas delivered to other natural gas local distribution companies.

The following table shows the Utility's third-party-verified CO<sub>2</sub> emissions rate associated with the electricity delivered to customers in 2018, which is the most recent data available, as compared to the national average for electric utilities:

	Amount (pounds of CO <sub>2</sub> per MWh)
U.S. Average <sup>(1)</sup>	998
Pacific Gas and Electric Company <sup>(2)</sup>	206

<sup>(1)</sup> Source: EPA eGRID.

<sup>(2)</sup> Since the Utility purchases a portion of its electricity from the wholesale market, the Utility is not able to track some of its delivered electricity back to a specific generator. Therefore, there is some unavoidable uncertainty in the Utility's estimated emissions rate.

### ***Air Emissions Data for Utility-Owned Generation***

In addition to GHG emissions data provided above, the table below sets forth information about the air emissions from the Utility's owned generation facilities. The Utility's owned generation (primarily nuclear and hydroelectric facilities) comprised more than one-half of the Utility's delivered electricity in 2018. PG&E Corporation and the Utility also publish air emissions data in their annual Corporate Responsibility and Sustainability Report.

	2018	2017
Total NO <sub>x</sub> Emissions (tons)	134	155
NO <sub>x</sub> Emissions Rate (pounds/MWh)	0.01	0.01
Total SO <sub>2</sub> Emissions (tons)	15	14
SO <sub>2</sub> Emissions Rate (pounds/MWh)	0.001	0.001

## ***Water Quality***

In 2014, the EPA issued final regulations to implement the requirements of the federal Clean Water Act that require cooling water intake structures at electric power plants, such as the nuclear generation facilities at Diablo Canyon, to reflect the best technology available to minimize adverse environmental impacts. Various industry and environmental groups challenged the federal regulations and they were upheld by the U.S. Court of Appeals for the Second Circuit. California's once-through cooling policy adopted by the California Water Board in 2010 is considered to be at least as stringent as the new federal regulations and therefore governs implementation in California.

The California Water Board's policy generally requires the installation of cooling towers or other significant measures to reduce the impact on marine life from existing power generation facilities in California by at least 85%. The policy also provided for an alternative compliance approach for nuclear plants if certain criteria were met. As required by the policy, the California Water Board appointed a committee to evaluate the feasibility and cost of using alternative technologies to achieve compliance at Diablo Canyon. The committee's consultant submitted its final report to the California Water Board in September 2014. The report addressed feasibility, costs and timeframes to install alternative technologies at Diablo Canyon, such as cooling towers.

On June 20, 2016, the Utility entered into a joint proposal with certain parties to retire Diablo Canyon's two nuclear power reactor units at the expiration of their current operating licenses in 2024 and 2025. The CPUC approved the retirement in January 2018. As a result of the planned retirement, the California Water Board will no longer need to address alternative compliance measures for Diablo Canyon. As required under the policy, the Utility will continue to pay an annual interim mitigation fee until operations cease in 2025.

Additionally, the Utility expects that its decision to retire Diablo Canyon will affect the terms of a final settlement agreement between the Utility, the Central Coast Regional Water Quality Control Board and the California Attorney General's Office regarding the thermal component of the plant's once-through cooling discharge. (For more information, see "Diablo Canyon Nuclear Power Plant" in Item 3. Legal Proceedings below.)

## ***Nuclear Fuel Disposal***

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) and electric utilities with commercial nuclear power plants were authorized to enter into contracts under which the DOE would be required to dispose of the utilities' spent nuclear fuel and high-level radioactive waste by January 1998, in exchange for fees paid by the utilities' customers. The DOE has been unable to meet its contractual obligation with the Utility to dispose of nuclear waste from the Utility's two nuclear generating units at Diablo Canyon and the retired nuclear facility at Humboldt Bay. As a result, the Utility constructed interim dry cask storage facilities to store its spent fuel onsite at Diablo Canyon and at Humboldt Bay until the DOE fulfills its contractual obligation to take possession of the spent fuel. The Utility and other nuclear power plant owners sued the DOE to recover the costs that they incurred to construct interim storage facilities for spent nuclear fuel.

In September 2012, the U.S. Department of Justice and the Utility executed a settlement agreement that provided a claims process by which the Utility submits annual requests for reimbursement of its ongoing spent fuel storage costs. The claim for the period June 1, 2018 through May 31, 2019, totaled approximately \$19 million and is currently under review by the DOE. Amounts reimbursed by DOE are refunded to customers through rates. Considerable uncertainty continues to exist regarding when and whether the DOE will meet its contractual obligation to the Utility and other nuclear power plant owners to dispose of spent fuel.

## **ITEM 1A. RISK FACTORS**

PG&E Corporation's and the Utility's financial results can be affected by many factors, including estimates and assumptions used in the critical accounting policies described in MD&A, that can cause their actual financial results to differ materially from historical results or from anticipated future financial results. The following discussion of key risk factors should be considered in evaluating an investment in PG&E Corporation and the Utility and should be read in conjunction with MD&A and the Consolidated Financial Statements and related notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this 2019 Form 10-K. Any of these factors, in whole or in part, could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

## Risks Related to Chapter 11 Proceedings and Liquidity

*PG&E Corporation and the Utility filed voluntary petitions for relief under Chapter 11 and are subject to the risks and uncertainties associated with their bankruptcy cases.*

On the Petition Date, PG&E Corporation and the Utility filed voluntary petitions for relief under Chapter 11 in the Bankruptcy Court. For the duration of the Chapter 11 Cases, the financial condition, results of operations, liquidity, and cash flows of PG&E Corporation and the Utility will be subject to various risks, including but not limited to the following:

- the ability to develop, consummate, and implement a plan of reorganization with respect to PG&E Corporation and the Utility during the Chapter 11 Cases that satisfies all applicable legal requirements, including the requirements of AB 1054;
- the ability to develop and obtain applicable Bankruptcy Court, creditor, and regulatory approval of a successful plan of reorganization and the effect of any alternative proposals, views, and objections of official committees, creditors, state and federal regulators, and other stakeholders, which may make it difficult to develop and consummate a successful plan of reorganization in a timely manner and by June 30, 2020;
- the risk that the Noteholder RSA, the Subrogation RSA, the TCC RSA or the PSAs could be terminated;
- the risk that the Backstop Commitment Letters or Debt Commitment Letters could be terminated or that the conditions precedent to funding thereunder are not satisfied or waived;
- the risk that, if the CPUC fails to approve any settlements between PG&E Corporation and the Utility and the CPUC, PG&E Corporation's and the Utility's exit financing may be terminated, making it more difficult for PG&E Corporation and the Utility to emerge from Chapter 11 in a timely manner;
- the ability to obtain Bankruptcy Court approval with respect to certain pending and future motions in the Chapter 11 Cases and the outcomes of Bankruptcy Court rulings and of the Chapter 11 Cases in general;
- risks associated with third-party motions or adversary proceedings in the Chapter 11 Cases, which may interfere with business operations, including additional collateral requirements, or the ability to formulate and implement a plan of reorganization;
- increased costs related to the Chapter 11 Cases and related litigation;
- the ability to maintain or obtain sufficient financing sources for ongoing operations during the pendency of the Chapter 11 Cases or thereafter or to fund a plan of reorganization and meet future obligations, including the initial and annual contributions to the Wildfire Fund and commitments outlined in the Utility's 2020 GRC, 2020-2022 WMP, and other regulatory proceedings;
- the potential for a material decrease in the number of counterparties that are willing to engage in transactions, including commodity-related transactions, with PG&E Corporation or the Utility and a significant increase in the amount of collateral required to engage in any such transactions;
- the potential for a loss of, or a disruption in the materials or services received from, suppliers, contractors or service providers with whom the Utility has commercial relationships or adverse developments in the commercial and financial terms on which such providers engage in such relationships with PG&E Corporation and the Utility;
- risks associated with the potential liability arising from the 2019 Kincadee fire and any other future post-petition wildfires or catastrophic events during the pendency of the Chapter 11 Cases;
- risks associated with claims filed in the Chapter 11 Cases, including claims that have not yet been asserted, that do not specify an amount or in which the asserted amount exceeds the actual value of the claim, which present the potential for delays in the Chapter 11 Cases and which may make it difficult to assess the actual amount of the liability of PG&E Corporation or the Utility;
- risks associated with the potential that the Utility will not be able to comply with the capital structure requirements authorized by the CPUC, to the extent applicable, during the pendency of the Chapter 11 Cases or thereafter;



- potential increased difficulty in retaining and motivating key employees and potential increased difficulty in attracting new employees during the pendency of the Chapter 11 Cases and thereafter, including as a result of the challenging political and operating environment facing the company;
- the significant time and effort required to be spent by senior management in dealing with the Chapter 11 Cases and restructuring activities rather than focusing exclusively on business operations; and
- the ability to continue as a going concern.

PG&E Corporation and the Utility currently are and will continue to be subject to risks and uncertainties with respect to the actions and decisions of creditors and other third parties who have claims or interests in the Chapter 11 Cases that may be inconsistent with PG&E Corporation's and the Utility's plans. These risks and uncertainties could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows in various ways that cannot be predicted and may significantly increase the time PG&E Corporation and the Utility have to operate in Chapter 11. Because of the risks and uncertainties associated with the Chapter 11 Cases, it is not possible to predict or quantify the ultimate impact that events occurring during the Chapter 11 Cases may have on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows, nor is it possible to predict the ultimate impact that events occurring during the Chapter 11 Cases may have on PG&E Corporation's and the Utility's corporate and capital structure.

PG&E Corporation and the Utility currently are and will continue to be required to seek approvals of the Bankruptcy Court and certain regulators in connection with the Chapter 11 Cases, and certain parties may object, intervene and protest approval, absent the imposition of terms or conditions to resolve their concerns. Such approvals may be denied, conditioned or delayed.

***Operating under Chapter 11 may continue to restrict the ability of PG&E Corporation and the Utility to pursue strategic and operational initiatives.***

Under Chapter 11, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit PG&E Corporation's and the Utility's ability to respond in a timely manner to certain events or take advantage of certain opportunities or to adapt to changing market or industry conditions. These limitations include, among other things, PG&E Corporation's and the Utility's ability to:

- make capital investments outside the normal course of business;
- consolidate, merge, sell, or otherwise dispose of assets outside the normal course of business;
- grant liens; and
- finance operations, investments or other capital needs or engage in other business activities, including the ability to achieve California's renewable energy goals.

***PG&E Corporation and the Utility may continue to experience increased levels of employee attrition as a result of the filing of the Chapter 11 Cases.***

As a result of the filing of the Chapter 11 Cases, PG&E Corporation and the Utility have experienced and may continue to experience increased levels of employee attrition, and their employees will continue to face considerable distraction and uncertainty. A loss of key personnel or material erosion of employee morale could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. PG&E Corporation's and the Utility's ability to engage, motivate and retain key employees or take other measures intended to motivate and incentivize key employees to remain with PG&E Corporation or the Utility, as applicable, through the pendency of the Chapter 11 Cases is limited by restrictions on implementation of retention and incentive programs under the Bankruptcy Code. The loss of members of senior management could impair PG&E Corporation's and the Utility's ability to execute their strategies and implement operational initiatives, which would likely have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

***As a result of the Chapter 11 Cases, PG&E Corporation's and the Utility's historical financial information may not be indicative of future financial performance.***

PG&E Corporation's and the Utility's capital structure will likely be significantly altered under any plan of reorganization confirmed by the Bankruptcy Court. Under fresh-start accounting rules that may apply to PG&E Corporation and the Utility upon the effective date of a plan of reorganization, their assets and liabilities would be adjusted to fair value. Accordingly, if fresh-start accounting rules apply, PG&E Corporation's and the Utility's financial condition and results of operations following emergence from Chapter 11 would not be comparable to the financial condition and results of operations reflected in their historical financial statements. In connection with the Chapter 11 Cases and the development of a plan of reorganization, it is also possible that additional restructuring and related charges may be identified and recorded in future periods. Such charges could be material to PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

***If PG&E Corporation and the Utility are not able to consummate a consensual plan of reorganization, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by a protracted restructuring.***

PG&E Corporation and the Utility commenced the Chapter 11 Cases without the benefit of a restructuring support agreement or agreed consensual plan of reorganization with any of its creditors or other key constituents. On October 17, 2019, the TCC and the Ad Hoc Noteholder Committee filed their competing Ad Hoc Noteholder Plan. In connection with the Noteholder RSA (as defined below), the competing Ad Hoc Noteholder Plan was withdrawn on February 5, 2020. If the Noteholder RSA were to be terminated, or if a new competing plan of reorganization were filed by any constituents, the resulting competing plan process could reduce the likelihood that the plan of reorganization that is ultimately confirmed by the Bankruptcy Court is the Proposed Plan and, in any event, could have a material effect on PG&E Corporation's and the Utility's ability to achieve confirmation of a plan of reorganization that would enable PG&E Corporation and the Utility to reach their stated goals. Additionally, any RSAs entered into in connection with the Chapter 11 Cases are likely to be highly conditional on circumstances outside the control of PG&E Corporation and the Utility.

Accordingly, no assurance can be provided as to the length of time during which the Chapter 11 Cases will be pending, whether the Proposed Plan can be successfully consummated, how the terms of the Proposed Plan may change, whether the Proposed Plan will be the plan of reorganization that is ultimately consummated, how the proposed post-emergence capital structure may change, and what the effect of the Proposed Plan or any other plan of reorganization that is confirmed would have on PG&E Corporation and the Utility or on any of their respective equity, debt and other stakeholders, including as to matters of taxation and recovery or distributions upon consummation of any plan of reorganization.

Even if PG&E Corporation and the Utility are successful in obtaining confirmation of the Proposed Plan, the process has been, and will continue to be lengthy, costly and disruptive. A contested plan of reorganization proceeding would likely have a more pronounced material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows than a consensual plan of reorganization. Even if PG&E Corporation and the Utility are able to obtain requisite stakeholder approval, the Bankruptcy Court may not confirm a plan of reorganization.

The uncertainty surrounding the prolonged restructuring may also have other material effects on PG&E Corporation and the Utility including, but not limited to:

- the ability of PG&E Corporation and the Utility to raise additional capital;
- PG&E Corporation's and the Utility's liquidity;
- how PG&E Corporation's and the Utility's business is viewed by regulators, investors, lenders and credit ratings agencies;
- the ability of PG&E Corporation and the Utility to make capital expenditures, including to invest in initiatives necessary to ensure the continued safe operation of the business;
- whether the Utility can qualify for the benefits under AB 1054, including obtaining the required state approvals by the statutory deadline;
- whether PG&E Corporation is required to transfer control or ownership of the Utility or its business to a third party, such as the State of California or a third party monitor or receiver that is not accountable to PG&E Corporation's board of directors or shareholders;

- PG&E Corporation's and the Utility's enterprise value; and
- PG&E Corporation's and the Utility's ability to continue as a going concern.

***PG&E Corporation and the Utility may be subject to claims that will not be discharged in their Chapter 11 Cases, which could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.***

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all claims arising prior to its filing under Chapter 11. With few exceptions, all claims that arose prior to PG&E Corporation's and the Utility's Chapter 11 Cases: (i) would be subject to compromise and/or treatment under the plan of reorganization and (ii) would be discharged in accordance with the Bankruptcy Code and the terms of the plan of reorganization. PG&E Corporation and the Utility face several significant potential liabilities that arose after the start of the Chapter 11 Cases, including potential liabilities associated with the 2019 Kincadee fire and the PSPS Program. Any claims not ultimately discharged through a plan of reorganization could be asserted against the reorganized entities and may have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows on a post-reorganization basis and may cast substantial doubt on PG&E Corporation's and the Utility's ability to continue as a going concern.

***The DIP Facilities may be insufficient to fund PG&E Corporation's and the Utility's cash requirements through their emergence from bankruptcy.***

PG&E Corporation's and the Utility's liquidity, including PG&E Corporation's and the Utility's ability to meet their ongoing operational obligations, is dependent upon, among other things: (i) PG&E Corporation's and the Utility's ability to comply with the terms and conditions of any post-petition financing and cash collateral order entered by the Bankruptcy Court in connection with the Chapter 11 Cases, including the financing orders entered with respect to the DIP Credit Agreement, (ii) PG&E Corporation's and the Utility's ability to maintain adequate cash on hand, (iii) PG&E Corporation's and the Utility's ability to generate cash flow from operations, (iv) PG&E Corporation's and the Utility's ability to develop, confirm and consummate a plan of reorganization or other alternative restructuring transaction and (v) the cost, duration and outcome of the Chapter 11 Cases. For the duration of the Chapter 11 Cases, PG&E Corporation and the Utility will be subject to various risks, including but not limited to (i) the inability to maintain or obtain sufficient financing sources for operations or to fund any plan of reorganization and meet future obligations, and (ii) increased legal and other professional costs associated with the Chapter 11 Cases and the reorganization.

PG&E Corporation and the Utility have entered into the DIP Credit Agreement. On March 27, 2019, the Bankruptcy Court approved the DIP Facilities (as defined below) on a final basis, authorizing the Utility to borrow up to the full amount of the DIP Revolving Facility (including the full amount of the \$1.5 billion letter of credit subfacility), the DIP Initial Term Loan Facility and the DIP Delayed Draw Term Loan Facility (as defined below), in each case subject to the terms and conditions of the DIP Credit Agreement. For the duration of the Chapter 11 Cases, PG&E Corporation and the Utility expect that the DIP Credit Agreement, together with cash on hand and cash flow from operations, will be the Utility's primary source of capital to fund ongoing operations and other capital needs and that they will have limited, if any, access to additional financing. For more information on the DIP Credit Agreement, see Note 5 of the Notes to the Consolidated Financial Statements in Item 8.

The DIP Credit Agreement will mature on December 31, 2020, subject to the Utility's option to extend the maturity to December 31, 2021 if certain terms and conditions are satisfied, including the payment of an extension fee.

PG&E Corporation and the Utility have faced and will continue to face uncertainty regarding the adequacy of their liquidity and capital resources during the pendency of the Chapter 11 Cases, and have limited, if any, access to additional financing. PG&E Corporation and the Utility cannot provide assurance that cash on hand, cash flow from operations, distributions received from their subsidiaries and borrowings available under the DIP Credit Agreement will be sufficient to continue to fund operations during the pendency of the Chapter 11 Cases. Although the DIP Credit Agreement is expected to be sufficient to address liquidity needs for the expected duration of the Chapter 11 Cases, if the Chapter 11 Cases last longer than expected (particularly if the Proposed Plan is not confirmed by June 30, 2020) there can be no assurance that the DIP Credit Agreement will provide adequate liquidity for such scenario. The ability of PG&E Corporation and the Utility to maintain adequate liquidity depends in part upon industry conditions and general economic, financial, competitive, regulatory and other factors beyond their control. In the event that cash on hand, cash flow from operations, distributions received from subsidiaries and availability under the DIP Credit Agreement are not sufficient to meet these liquidity needs, PG&E Corporation and the Utility may be required to seek additional financing, and can provide no assurance that additional financing would be available or, if available, offered on acceptable terms.

***The DIP Credit Agreement imposes a number of restrictions on PG&E Corporation and the Utility that may, among other things, limit their ability to conduct their business, or pursue new business opportunities and strategies. Additionally, PG&E Corporation and the Utility may be unable to comply with the covenants imposed by the DIP Credit Agreement. Such non-compliance could result in an event of default under the DIP Credit Agreement that, if not cured or waived, could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.***

The DIP Credit Agreement imposes a number of restrictions on PG&E Corporation and the Utility, including, among other things, affirmative covenants requiring PG&E Corporation and the Utility to provide financial information, cash flow forecasts, variance reports and other information to the administrative agent. The DIP Credit Agreement also contains general affirmative covenants such as compliance with all applicable laws, maintenance of licenses from necessary governmental authorities, maintenance of property and preservation of corporate existence. Negative covenants contained in the DIP Credit Agreement include restrictions on PG&E Corporation's and the Utility's ability to, among other things, incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sales of assets and acquisitions, pay dividends and distributions, and make payments in respect of junior or pre-petition indebtedness, in each case subject to customary exceptions. The Utility's ability to borrow under the DIP Credit Agreement is subject to the satisfaction of certain customary conditions precedent set forth therein. For more information on the DIP Credit Agreement, see Note 5 of the Notes to the Consolidated Financial Statements in Item 8.

As a result of these covenants and restrictions, PG&E Corporation and the Utility may be limited in their ability to conduct their business, and respond to changing business, market, and economic conditions. These provisions may also limit PG&E Corporation's and the Utility's ability to pursue new business opportunities and strategies.

PG&E Corporation's and the Utility's ability to comply with these provisions may be affected by events beyond their control and their failure to comply, or obtain a waiver in the event PG&E Corporation or the Utility cannot comply with a covenant, could result in an event of default under the agreements governing the DIP Credit Agreement that, if not cured or waived, could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

***The Backstop Commitment Letters and the Debt Commitment Letters provide a number of conditions precedent to the obligations of the Backstop Parties and the Commitment Parties to fund the Proposed Plan as well as a number of termination rights for the Backstop Parties and the Commitment Parties. There can be no assurance that the conditions precedent will be satisfied or waived, or that events or circumstances will not occur that give rise to the termination rights. If the conditions precedent to funding cannot be satisfied or waived, or if the Backstop Commitment Letters or the Debt Commitment Letters are terminated, it could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.***

The Backstop Commitment Letters impose a number of conditions that must be satisfied before the Backstop Parties are obligated to fund the Proposed Plan. In addition, the Backstop Parties have certain termination rights under the Backstop Commitment Letters, which may be triggered by events beyond the control of PG&E Corporation and the Utility. The Debt Commitment Letters are also subject to numerous conditions precedent and termination rights, including certain conditions precedent and termination rights similar to those included in the Backstop Commitment Letters, as well as certain other conditions precedent, including that the Utility shall have received investment grade senior secured debt ratings. For more information on the Backstop Commitment Letters and the Debt Commitment Letters, including a summary of conditions precedent and termination rights, see "Plan of Reorganization, RSAs, Equity Backstop Commitments and Debt Commitment Letters" in Note 2 of the Notes to the Consolidated Financial Statements.

If PG&E Corporation and the Utility fail to complete a monetization transaction utilizing any net operating losses or tax deductions resulting from the payment of pre-petition wildfire-related claims as contemplated in the Backstop Commitment Letters, PG&E Corporation and the Utility must form a trust which would provide for periodic distributions of cash to the Backstop Parties in amounts equal to (i) all tax benefits arising from the payment of wildfire-related claims in excess of (ii) the first \$1.35 billion of tax benefits, starting with fiscal year 2020, and PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected.

There can be no assurance that the conditions precedent set forth in the Backstop Commitment Letters or the Debt Commitment Letters will be satisfied or waived, or that events or circumstances will not occur that give rise to termination rights of the Backstop Parties or the Commitment Parties, which may be beyond the control of PG&E Corporation and the Utility.

If the conditions precedent to funding under the Backstop Commitment Letters or the Debt Commitment Letters cannot be satisfied or waived, or if the Backstop Commitment Letters or Debt Commitment Letters are terminated, PG&E Corporation's and the Utility's ability to finance the Proposed Plan could be jeopardized, which could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. Additionally, there can be no assurance that PG&E Corporation and the Utility would be able to obtain alternative financing to the transactions contemplated by the Backstop Commitment Letters and the Debt Commitment Letters.

***PG&E Corporation's and the Utility's Consolidated Financial Statements have been prepared assuming that PG&E Corporation and the Utility will continue as going concerns. PG&E Corporation and the Utility are facing extraordinary challenges relating to a series of catastrophic wildfires that occurred during the past several years. Uncertainty regarding these matters raises substantial doubt about PG&E Corporation's and the Utility's abilities to continue as going concerns. In addition, there is inherent uncertainty regarding the outcome of the Chapter 11 Cases. PG&E Corporation and the Utility have not included any financial statement adjustments that might result from the outcome of these uncertainties.***

The accompanying Consolidated Financial Statements to this Annual Report on Form 10-K have been prepared assuming that PG&E Corporation and the Utility will continue as going concerns. PG&E Corporation and the Utility suffered material losses as a result of the 2017 Northern California wildfires and the 2018 Camp fire, which contributed to the decision to file for Chapter 11 protection. Management has concluded that these circumstances raise substantial doubt about PG&E Corporation's and the Utility's ability to continue as going concerns, and their independent registered public accountants have included an explanatory paragraph in their auditors' report which states certain conditions exist that raise substantial doubt about PG&E Corporation's and the Utility's ability to continue as going concerns in relation to the foregoing. In addition, there is inherent uncertainty regarding the outcome of the Chapter 11 Cases. For further discussion of such uncertainty, see the risk factors above in "Risks Related to Chapter 11 Proceedings and Liquidity" in this Item 1A. PG&E Corporation's and the Utility's plans in regard to these matters are described in Note 2 of the Notes to the Consolidated Financial Statements in Item 8. The Consolidated Financial Statements do not include any adjustments that might result from the outcome of these uncertainties. See "Report of Independent Registered Public Accounting Firm" in Item 8.

***Trading in PG&E Corporation's and the Utility's securities during the pendency of the Chapter 11 Cases is highly speculative and poses substantial risks.***

Trading in PG&E Corporation's and the Utility's securities during the pendency of the Chapter 11 Cases is highly speculative and poses substantial risks. The ultimate recovery, if any, by holders of PG&E Corporation's or the Utility's securities in the Chapter 11 Cases could differ substantially from any value that may be implied by the trading prices of such securities at any particular time during the pendency of the Chapter 11 Cases.

#### **Risks Related to Wildfires**

***PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by potential losses resulting from the impact of the 2018 Camp fire, the 2017 Northern California wildfires and other pre-petition fires (including the 2015 Butte fire), notwithstanding the commencement of the Chapter 11 Cases.***

PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by potential losses resulting from the impact of the 2018 Camp fire, the 2017 Northern California wildfires and other pre-petition fires (including the 2015 Butte fire), notwithstanding the commencement of the Chapter 11 Cases. As disclosed below in Note 14 of the Notes to Consolidated Financial Statements in Item 8, PG&E Corporation and the Utility are subject to numerous lawsuits in connection with the 2018 Camp fire, the 2017 Northern California wildfires and other pre-petition fires by various plaintiffs, including wildfire victims, insurance carriers, and various government entities, under multiple theories of liability. These lawsuits generally assert that the Utility's alleged failure to maintain and repair its distribution and transmission lines and failure to properly maintain the vegetation surrounding such lines were the causes of the 2018 Camp fire and 2017 Northern California wildfires.

Due to the commencement of the Chapter 11 Cases, these plaintiffs have been stayed from continuing to prosecute pending litigation and from commencing new lawsuits against PG&E Corporation or the Utility on account of pre-petition obligations. PG&E Corporation's and the Utility's obligations with respect to such claims are expected to be determined through the Chapter 11 process. If the Subrogation RSA, TCC RSA or PSAs were to be terminated and litigation relating to the 2018 Camp fire, the 2017 Northern California wildfires and other pre-petition wildfires were to recommence, and the Utility's facilities, such as its electric distribution and transmission lines, were determined to be the substantial cause of one or more fires, and the doctrine of inverse condemnation applies, the Utility could be liable for property damage, business interruption, interest, and attorneys' fees without having been found negligent, which liability, in the aggregate, could be substantial and have a material adverse effect on PG&E Corporation and the Utility, including on PG&E Corporation's and the Utility's ability to develop and consummate a successful plan of reorganization. (See "The doctrine of inverse condemnation, if applied by courts in litigation to which PG&E Corporation or the Utility are subject, could significantly expand the potential liabilities from such litigation and materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows" below.) In addition to such claims for property damage, business interruption, interest, and attorneys' fees, the Utility could be liable for fire suppression costs, evacuation costs, medical expenses, personal injury damages, punitive damages, and other damages under other theories of liability, including if the Utility were found to have been negligent, which liability, in the aggregate, could be substantial and have a material adverse effect on PG&E Corporation and the Utility, including on PG&E Corporation's and the Utility's ability to develop and consummate a successful plan of reorganization.

Although PG&E Corporation and the Utility have entered into settlement agreements to resolve the claims of the major classes of claimholders, including Utility debtholders, individual wildfire victims, holders of subrogated insurance claims and certain public entities, non-consenting claimholders may still be able to challenge and otherwise impede the Proposed Plan. These settlement agreements could be terminated under various circumstances, some of which are beyond the PG&E Corporation's and the Utility's control. As described below in Note 14 of the Notes to Consolidated Financial Statements in Item 8, PG&E Corporation and the Utility have entered into agreements with major claimholders or their representatives to settle all pre-petition liabilities related to the 2018 Camp fire and 2017 Northern California wildfires (and in certain cases, other pre-petition fires) for an aggregate amount of \$25.5 billion. These agreements are subject to numerous conditions and termination rights in favor of third parties, including, among others, (i) certain breaches by PG&E Corporation or the Utility, (ii) if PG&E Corporation or the Utility become insolvent, (iii) if the Proposed Plan is inconsistent with the terms of these agreements, (iv) if certain milestones are not met and (v) failure of the Proposed Plan or the treatment of claims contemplated thereby to be consistent with AB 1054. Certain of these agreements contain additional termination rights that are beyond the control of PG&E Corporation or the Utility. For example, the PSA with Supporting Public Entities may be terminated by the Supporting Public Entities if FEMA or the OES fail to agree that no reimbursement is required from the Supporting Public Entities on account of assistance rendered by either agency in connection with the wildfires noted above. If one or more of these settlement agreements is terminated, PG&E Corporation's and the Utility's aggregate liability related to the 2018 Camp fire and 2017 Northern California wildfires (and in certain cases, other pre-petition fires) could substantially exceed \$25.5 billion. In addition, if these agreements were terminated, regardless of the ultimate determination of PG&E Corporation's and the Utility's liability, such termination would be expected to result in additional delay and expense in the Chapter 11 Cases.

In addition, the TCC RSA is an agreement among PG&E Corporation and the Utility, the TCC, the Shareholder Proponents, and the Consenting Fire Claimant Professionals. No government entity (including FEMA and OES/Cal Fire) is party to the TCC RSA. Accordingly, there can be no assurance that such government entities will support the Proposed Plan or the treatment of their Fire Victim Claims in the Chapter 11 Cases as provided in the Proposed Plan. If FEMA, OES/Cal Fire, or other government entities that are not Supporting Public Entities do not support the Proposed Plan or treatment of their Fire Victim Claims, such claims could be material to PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. On February 12, 2020, a number of individuals and businesses who hold wildfire-related claims in connection with the 2015 Butte fire, 2017 Northern California wildfires and 2018 Camp fire, as well as certain of the Tubbs Preference Plaintiffs, joined in the TCC's objection to the OES and FEMA claims. Also on February 12, 2020, OES and FEMA filed oppositions to the TCC's objection.

Absent the settlement agreements noted above, potential liabilities related to the 2018 Camp fire and 2017 Northern California wildfires depend on various factors, including, but not limited to, the cause of each fire, contributing causes of the fires (including alternative potential origins, weather and climate related issues), the number, size and type of structures damaged or destroyed, the contents of such structures and other personal property damage, the number and types of trees damaged or destroyed, attorneys' fees for claimants, the nature and extent of any personal injuries, including the loss of lives, the extent to which future claims arise, the amount of fire suppression and clean-up costs and other damages the Utility may be responsible for if found negligent. Notwithstanding the Bar Date and the settlement agreements entered into as of the date of this filing, there remain a number of unknown facts and legal considerations that may impact the amount of any potential liability, including the total scope and nature of claims that may be asserted against PG&E Corporation and the Utility and the treatment of such claims in the Chapter 11 Cases.

If PG&E Corporation and the Utility were to be found liable for any punitive damages, and such damages were allowed by the Bankruptcy Court, or if PG&E Corporation and the Utility were subject to fines or penalties that may be imposed by government entities on PG&E Corporation and the Utility, the amount of such punitive damages, fines, penalties or restitution orders that may result from any criminal charges brought could be significant and could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows, as well as PG&E Corporation's and the Utility's ability to develop and consummate a successful plan of reorganization. In connection with the Wildfires OII, the Utility has agreed to remedies that will result in substantial capital expenditures that will not be subject to cost recovery. The Utility has received significant fines and penalties in connection with past incidents. For example, in 2015, the CPUC approved a decision that imposed penalties on the Utility totaling \$1.6 billion in connection with natural gas explosion that occurred in the City of San Bruno on September 9, 2010 (the "San Bruno explosion"). These penalties represented nearly three times the underlying liability for the San Bruno explosion of approximately \$558 million incurred for third-party claims, exclusive of shareholder derivative lawsuits and legal costs incurred. The amount of punitive damages, fines and penalties imposed on PG&E Corporation or the Utility could likewise be a significant amount in relation to the underlying liabilities with respect to the 2018 Camp fire and 2017 Northern California wildfires.

In addition, PG&E Corporation and the Utility could be the subject of additional lawsuits on account of obligations arising after the commencement of the Chapter 11 Cases and of additional investigations, citations, fines or enforcement actions in connection with the 2018 Camp fire and 2017 Northern California wildfires.

***PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected as a result of the 2019 Kincade fire and any future post-petition wildfire during the pendency of the Chapter 11 Cases.***

PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected as a result of the 2019 Kincade fire and future post-petition wildfires during the pendency of the Chapter 11 Cases.

As described below in Note 14 to the Consolidated Financial Statements under the heading "2019 Kincade fire," while the cause of the 2019 Kincade fire remains under Cal Fire's investigation and there are a number of unknown facts surrounding the cause of the 2019 Kincade fire, the Utility could be subject to significant liability in excess of insurance coverage that would be expected to have a material impact on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. PG&E Corporation and the Utility have received and are responding to data requests from the CPUC's SED relating to the Kincade fire. PG&E Corporation and the Utility could be the subject of additional investigations, lawsuits, or enforcement actions in connection with the 2019 Kincade fire.

Additionally, regardless of whether the Utility is ultimately determined to have caused the 2019 Kincade fire or any future post-petition wildfire during the pendency of the Chapter 11 Cases, PG&E Corporation's and the Utility's bankruptcy timing and process and the ability of the Utility to participate in the Wildfire Fund could be materially affected as a result of claims arising out of the 2019 Kincade fire. PG&E Corporation's and the Utility's ability to consummate the Proposed Plan by June 30, 2020 (or at all) could be impaired, and PG&E Corporation and the Utility may not be able to amend the Proposed Plan, or develop another alternative to the Proposed Plan, that could be confirmed by June 30, 2020 or at all. The Backstop Commitment Letters and the Debt Commitment Letters contain certain conditions precedent and termination rights that could be implicated by the 2019 Kincade fire and any future post-petition wildfire during the pendency of the Chapter 11 Cases. PG&E Corporation and the Utility may not be able to satisfy, or obtain a waiver of, such conditions precedent to the commitments, or the Backstop Parties or the Commitment Parties, respectively, may have the right to terminate such commitments, which would jeopardize PG&E Corporation's and the Utility's ability to finance the Proposed Plan. PG&E Corporation and the Utility may not be able to obtain alternative financing to the transactions contemplated by the Backstop Commitment Letters and the Debt Commitment Letters, and may not be able to obtain financing for an alternative plan that may be proposed by PG&E Corporation and the Utility after the impact of the 2019 Kincade fire is better known.

Finally, the 2019 Kincade fire or a future post-petition wildfire could have adverse consequences on the Utility's probation proceeding, the Utility's proceedings with the CPUC and FERC (including the Safety Culture OII and the Chapter 11 Proceedings OII), the criminal investigation into the 2018 Camp fire and future regulatory proceedings, including future applications for the safety certification required by AB 1054. PG&E Corporation and the Utility may also suffer additional reputational harm and face an even more challenging operating, political, and regulatory environment. For more information about the 2018 Camp fire and 2017 Northern California wildfires, see "2018 Camp fire and 2017 Northern California wildfires" in Note 14 of the Notes to Consolidated Financial Statements in Item 8.

***The amount of potential losses resulting from the impact of the 2018 Camp fire and 2017 Northern California wildfires is expected to greatly exceed the amount of PG&E Corporation's and the Utility's insurance coverage for wildfire events. The amount of potential losses resulting from the impact of the 2019 Kincade fire could also exceed the amount of PG&E Corporation's and the Utility's insurance coverage for wildfires. Securing liability insurance in future years is expected to be increasingly difficult and expensive, if available at all.***

The amount of potential losses resulting from the impact of the 2018 Camp fire and 2017 Northern California wildfires is expected to greatly exceed the amount of PG&E Corporation's and the Utility's insurance coverage for wildfire events. The amount of potential losses resulting from the impact of the 2019 Kincade fire could also exceed the amount of PG&E Corporation's and the Utility's insurance coverage for wildfire events. Even if the Utility satisfies the eligibility and other requirements to participate in the Wildfire Fund under AB 1054, the recovery of any such excess losses from the Wildfire Fund would be capped at 40%.

PG&E Corporation and the Utility had liability insurance coverage for wildfire events in an aggregate amount of approximately \$1.4 billion for the period from August 1, 2018 through July 31, 2019, comprised of \$700 million for general liability (subject to an initial self-insured retention of \$10 million per occurrence), and \$700 million for property damages only, which property damage coverage includes an aggregate amount of approximately \$200 million through the reinsurance market where a catastrophe bond was utilized. Further, PG&E Corporation and the Utility have liability insurance coverage for wildfire events in an amount of \$430 million (subject to an initial self-insured retention of \$10 million per occurrence) for the period of August 1, 2019 through July 31, 2020, and \$1 billion in liability insurance coverage for non-wildfire events (subject to an initial self-insured retention of \$10 million per occurrence), comprised of \$520 million for the period of August 1, 2019 through July 31, 2020 and \$480 million for the period of September 3, 2019 through September 2, 2020. In addition, coverage limits within these wildfire insurance policies could result in further material self-insured costs in the event each fire were deemed to be a separate occurrence under the terms of the insurance policies.

PG&E Corporation's and the Utility's cost of obtaining the wildfire and non-wildfire insurance coverage in place for the period of August 1, 2019 through September 2, 2020 is approximately \$212 million, compared to the approximately \$50 million that the Utility recovered in rates during the year ended December 31, 2019. If PG&E Corporation and the Utility are unable to recover the full amount of their insurance, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected. In addition, PG&E Corporation and the Utility expect their losses in connection with the 2018 Camp fire and 2017 Northern California wildfires will greatly exceed their available insurance, and the Utility could also be subject to significant liability in excess of insurance in connection with the 2019 Kincade fire. For a discussion of the potential magnitude of PG&E Corporation's and the Utility's liability, see "PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by potential losses resulting from the impact of the 2018 Camp fire and the 2017 Northern California wildfires and other pre-petition fires (including the 2015 Butte fire), notwithstanding the commencement of the Chapter 11 Cases" and "PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected as a result of the 2019 Kincade fire and any future post-petition wildfire during the pendency of the Chapter 11 Cases." above.

PG&E Corporation and the Utility also expect to face increasing difficulty securing liability insurance in future years due to availability and to face significantly increased insurance costs.

***If the Utility is unable to recover all or a significant portion of its excess costs in connection with the 2019 Kincade fire, the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire through ratemaking mechanisms and in a timely manner, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected.***

As of December 31, 2019, the Utility incurred substantial costs in connection with the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire in excess of costs currently in rates, some of which currently are or are expected to be recorded in the future in its WEMA account. The Utility could similarly incur substantial costs in excess of insurance coverage in the future in connection with the 2019 Kincade fire.

There can be no assurance that the Utility will be allowed to recover costs in excess of insurance, including costs recorded in those accounts in the future, even if a court decision were to determine that the Utility is liable as a result of the application of the doctrine of inverse condemnation.



SB 901, signed into law on September 21, 2018, required the CPUC to establish a CHT, directing the CPUC to limit certain disallowances in the aggregate, so that they do not exceed the maximum amount that the Utility can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service. SB 901 also authorized the CPUC to issue a financing order that permits recovery, through the issuance of recovery bonds (also referred to as “securitization”), of wildfire-related costs found to be just and reasonable by the CPUC and, only for the 2017 Northern California wildfires, any amounts in excess of the CHT. SB 901 does not authorize securitization with respect to possible 2018 Camp fire costs, as the bill does not address fires that occurred in 2018.

After a CPUC July 8, 2019 decision determined that a utility that has filed for relief under Chapter 11 cannot access the CHT, on August 7, 2019, the Utility submitted to the CPUC an application for rehearing of that decision, the outcome of which is uncertain. For more information on the OIR, see “OIR to Implement Public Utilities Code Section 451.2 Regarding Criteria and Methodology for Wildfire Cost Recovery Pursuant to Senate Bill 901” in Item 7. MD&A.

The inability to recover all or a significant portion of costs in excess of insurance through increases in rates and by collecting such rates in a timely manner could have a material effect on PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows.

***PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows could be materially affected in the event of further non-compliance with the terms of probation or in the event of further modifications to the conditions of probation.***

PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows could be materially affected in the event of further non-compliance with the terms of probation or in the event of further modifications to the conditions of probation. On January 26, 2017, following the federal criminal trial against the Utility in connection with the San Bruno explosion, in which the Utility was found guilty on six felony counts, the Utility was sentenced to, among other things, a five-year corporate probation period and oversight by a third-party monitor for a period of five years, with the ability to apply for early termination after three years. The probation includes a requirement that the Utility not commit any local, state, or federal crimes during the probation period. As part of the probation, the Utility has retained a third-party monitor at the Utility’s expense. The goal of the third-party monitor is to help ensure that the Utility takes reasonable and appropriate steps to maintain the safety of its gas and electric operations, and to maintain effective ethics, compliance and safety related incentive programs on a Utility-wide basis.

In 2018 and 2019, the court overseeing the Utility’s probation issued various orders related to the Utility’s probation, including a finding that the Utility had violated a condition of its probation with respect to reporting requirements, and imposing new conditions of probation. For more information about the Utility’s probation and the court’s orders, see “U.S. District Court Matters and Probation” in Item 3. Such proceedings are not subject to the automatic stay imposed as a result of the commencement of the Chapter 11 Cases.

The Utility could incur material costs, not recoverable through rates, in the event of further non-compliance with the terms of its probation and in connection with the monitorship (including but not limited to costs resulting from recommendations of the third-party monitor). The Utility could also incur material costs, not recoverable through rates, in the event of further modifications to the conditions of its probation, such as those proposed by the court overseeing the Utility’s probation on January 16, 2020, relating to the hiring of additional contractors to ensure full compliance with certain vegetation management conditions.

The outcome of probation could harm the Utility’s relationships with customers, regulators, legislators, communities, business partners, or other constituencies and make it more difficult to recruit qualified personnel and senior management. Further, it could negatively affect the outcome of future ratemaking and regulatory proceedings and result in increased regulatory or legislative scrutiny, including with respect to various aspects of how the Utility’s business is conducted or organized. (See “Enforcement and Litigation Matters” in Item 7. MD&A.)

***The doctrine of inverse condemnation, if applied by courts in litigation to which PG&E Corporation or the Utility are subject, could significantly expand the potential liabilities from such litigation and materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.***

California law includes a doctrine of inverse condemnation that is routinely invoked in California. Inverse condemnation imposes strict liability (including liability for attorneys' fees) for damages as a result of the design, construction and maintenance of utility facilities, including utilities' electric transmission lines. Courts have imposed liability under the doctrine of inverse condemnation in legal actions brought by property holders against utilities on the grounds that losses borne by the person whose property was damaged through a public use undertaking should be spread across the community that benefitted from such undertaking, and based on the assumption that utilities have the ability to recover these costs from their customers. Plaintiffs have asserted the doctrine of inverse condemnation in lawsuits related to the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire, and courts have ruled that the doctrine can apply to PG&E Corporation and the Utility in those matters. While the Utility currently continues to litigate this issue, there can be no assurance that the Utility will be successful in overturning the rulings that inverse condemnation applies in the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire or other litigation against PG&E Corporation or the Utility.

Furthermore, a court could determine that the doctrine of inverse condemnation applies even in the absence of an open CPUC proceeding for cost recovery, or before a potential cost recovery decision is issued by the CPUC. Although the imposition of liability under the doctrine of inverse condemnation is premised on the assumption that utilities have the ability to automatically recover these costs from their customers, there can be no assurance that the CPUC would authorize cost recovery whether or not a previous court decision had imposed liability on a utility under the doctrine of inverse condemnation. (In December 2017, the CPUC denied recovery of costs that San Diego Gas & Electric Company stated it incurred as a result of the doctrine of inverse condemnation, holding that the inverse condemnation principles of strict liability are not relevant to the CPUC's prudent manager standard. That determination was challenged by San Diego Gas & Electric as well as by the Utility and Southern California Edison. In October 2019, the U.S. Supreme Court declined to review the case, effectively ending the challenge.)

If PG&E Corporation or the Utility were to be found liable for damages under the doctrine of inverse condemnation, but the Utility was unable to secure a cost recovery decision from the CPUC to pay for such costs through increases in rates or to collect such rates in a timely manner, the financial condition, results of operations, liquidity, and cash flows of PG&E Corporation and the Utility would be materially affected by potential losses resulting from the impact of the 2019 Kincadee fire, and, if the TCC RSA, Subrogation RSA, or PSAs were to be terminated, the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire. (See "PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by potential losses resulting from the impact of the 2018 Camp fire, the 2017 Northern California wildfires and other pre-petition fires (including the 2015 Butte fire), notwithstanding the commencement of the Chapter 11 Cases," and "PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected as a result of the 2019 Kincadee fire and any future post-petition wildfire during the pendency of the Chapter 11 Cases" above.)

***PG&E Corporation's and the Utility's financial results could be materially affected as a result of the Utility's implementation of its PSPS program.***

As outlined in the 2019 Wildfire Mitigation Plan, PG&E Corporation and the Utility have adopted the PSPS program to proactively de-energize lines that traverse areas under elevated and extreme risks for wildfire when forecasts predict extreme fire-threat conditions. In addition to the 2019 PSPS events, the Utility expects that PSPS events will be necessary in 2020 and future years. Approximately 5.4 million electric customer premises may potentially be impacted by PSPS events.

Since June 2019, PG&E Corporation and the Utility have carried out several PSPS events. These PSPS events have been subject to significant scrutiny and criticism by various stakeholders, including the California Governor, the CPUC and the court overseeing the Utility's probation. On November 12, 2019, the CPUC issued an order to show cause why the Utility should not be sanctioned for alleged violations of law related to its communications with customers, coordination with local governments, and communications with critical facilities and public safety partners during the PSPS events in late 2019. On November 13, 2019, the CPUC instituted an OII to examine 2019 PSPS events carried out by California's investor-owned utilities and to consider enforcement actions. The Utility also is the subject of a class action litigation in connection with the 2019 PSPS events that was filed in the Bankruptcy Court in December of 2019. On January 24, 2020, the assigned ALJ issued a proposed decision in the 2020 Energy Resource Recovery Account (ERRA) Forecast proceeding that, if finalized, would require the Utility to include in its application for the 2019 ERRA Compliance Review an accounting of the PSPS events that occurred in its service territory in 2019 and how the PSPS impacted its revenue collections. Also, on January 27, 2020, the California state senate approved SB 378 that, if passed by the assembly and then enacted into law, would require the CPUC, on or before June 1, 2021, to establish a procedure for customers, local governments, and others affected by a de-energization event to recover specified costs incurred as a result of the de-energization event from an electrical corporation within specified time periods. The bill would also require the CPUC to establish rules determining whether these payments can be recovered from ratepayers.

In addition, the proposal of SB 378, which would impose penalties and other requirements on electric utility companies relating to PSPS events, could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. In addition to other requirements, SB 378 would impose on an electric utility company a civil penalty of at least \$250,000 per 50,000 affected customers for every hour that a PSPS event is in place, would require the CPUC to establish a procedure for customers, local governments and others to recover specified costs incurred during a PSPS event from the electric utility company, which cost recovery would be borne by shareholders, and would prohibit an electric utility company from billing customers for any nonfixed costs during a PSPS event.

Further, the proposals of AB 1941 could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. AB 1941 proposes to suspend RPS requirements, determine the savings to electric utility companies from the suspension and direct those savings towards system hardening to mitigate wildfire risks and PSPS impacts, and would prohibit salary increases or bonuses to executive officers during the suspension of RPS requirements.

PG&E Corporation and the Utility cannot predict the timing and outcome of the OII, order to show cause, the class action litigation, and pending litigation. PG&E Corporation and the Utility could be subject to additional investigations, regulatory proceedings or other enforcement actions as well as to additional litigation and claims by customers as a result of the Utility's implementation of its PSPS program, including with respect to the October 9, 2019 PSPS event, which could result in fines, penalties, customer rebates or other payments. The amount of any fines, penalties, customer rebates or other payments (if PG&E Corporation or the Utility were to issue any credits, rebates or other payments in connection with any other PSPS events (whether past events or in the future)) or liability for damages could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. In addition, the PSPS program has had an adverse impact on PG&E Corporation's and the Utility's reputation with customers, regulators and policymakers and future PSPS events may increase these negative perceptions.

#### **Risks Related to the Outcome of Other Enforcement Matters, Investigations, and Regulatory Proceedings**

##### ***PG&E Corporation's and the Utility's financial results could be materially affected as a result of legislative and regulatory developments.***

The Utility's financial results could be materially affected as a result of SB 901 adopted in 2018 by the California legislature. In December 2018, the CPUC opened an OIR in connection with SB 901 that will adopt criteria and a methodology for use by the CPUC in future applications for cost recovery of wildfire costs. After a CPUC July 8, 2019 decision determined that a utility that has filed for relief under Chapter 11 cannot access the CHT, on August 7, 2019, the Utility submitted to the CPUC an application for rehearing of that decision, the outcome of which is uncertain. Failure to obtain a substantial or full recovery of costs related to wildfires could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows. (See "Regulatory Matters - Other Regulatory Proceedings" in Item 7. MD&A.)

In addition, SB 901 requires utilities to submit annual wildfire mitigation plans for approval by the CPUC on a schedule to be established by the CPUC. SB 901 establishes factors to be considered by the CPUC when setting penalties for failure to substantially comply with the plan. Failure to substantially comply with the plan could result in fines and other penalties imposed on the Utility that could be material. (See "Regulatory Matters - Other Regulatory Proceedings" in Item 7. MD&A.)

On July 12, 2019, the California Governor signed into law AB 1054, which, among other policy reforms, provides for the establishment of a statewide fund that is available for eligible electric utility companies to pay eligible claims for liabilities arising from wildfires occurring after July 12, 2019 that are caused by the applicable electric utility company's equipment. Although PG&E Corporation and the Utility have delivered notice to the CPUC electing to participate in the Wildfire Fund and even if the Utility were eligible to do so, the impact of AB 1054 on PG&E Corporation and the Utility is subject to numerous uncertainties, including the Utility's ability to demonstrate to the CPUC that wildfire-related costs paid from the Wildfire Fund are just and reasonable, subject to a disallowance cap, and that the Wildfire Fund has sufficient remaining funds.

The costs of participating in the Wildfire Fund (should the Utility be eligible to do so) are expected to exceed \$6.7 billion over the anticipated ten-year life of the fund. The timing and amount of any potential charges associated with shareholder contributions would also depend on various factors, including the timing of resolution of the Chapter 11 Cases. In addition, there could also be a significant delay between the occurrence of a wildfire and the timing on which the Utility recognizes impairment for the reduction in future coverage, due to the lack of data available to the Utility following a catastrophic event, especially if the wildfire occurs in the service territory of another participating electric utility. Participation in the Wildfire Fund is expected to have a material impact on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows, and there can be no assurance that the benefits of participating in the Wildfire Fund ultimately outweigh these substantial costs.

Finally, AB 1054 revised some of the SB 901 requirements regarding wildfire mitigation plans, including creating a Wildfire Safety Division to review future plans and that plans should cover a three-year period.

Also, in June 2018, the State of California enacted the CCPA, which went into effect on January 1, 2020, with a 12-month look-back period requiring compliance by January 1, 2019. On October 11, 2019, the State of California announced proposed regulations which provide guidance on the requirements of the CCPA. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. The CCPA provides for financial penalties in the event of non-compliance and statutory damages in the event of a data security breach. Failure to comply with the CCPA could result in fines imposed on PG&E Corporation and the Utility that could be material.

***PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by the ability of PG&E Corporation and the Utility to participate in the Wildfire Fund under AB 1054, which is subject to numerous uncertainties and which could involve significant organizational or governance changes.***

The Utility's ability to participate in the Wildfire Fund is subject to numerous eligibility and other requirements set forth in AB 1054, including, among others, (a) the Utility's Chapter 11 Case has been resolved pursuant to a plan of reorganization by June 30, 2020, (b) the CPUC has approved the Utility's plan of reorganization, including the Utility's resulting governance structure as being acceptable in light of the Utility's safety history, criminal probation, recent financial condition and other factors deemed relevant by the CPUC, and (c) the CPUC has determined that the Utility's plan of reorganization is (i) consistent with California's climate goals and (ii) neutral, on average, to the Utility's ratepayers. (See "Assembly Bill 1054" in Item 7. MD&A.) There can be no assurance that PG&E Corporation and the Utility will be able to meet these eligibility and other requirements for participating in the Wildfire Fund, including that the CPUC will issue the necessary approvals or make the necessary determinations.

On October 4, 2019, the CPUC issued an OII to consider the ratemaking and other implications "that will result from the confirmation of a plan of reorganization and other regulatory approvals necessary to resolve" the Chapter 11 Cases (the "Chapter 11 Proceedings OII"). The scope of the Chapter 11 Proceedings OII includes, among others, any regulatory approvals required in order for PG&E Corporation and the Utility to become eligible to participate in the Wildfire Fund and any other regulatory approvals required by AB 1054. PG&E Corporation and the Utility cannot predict the outcome of the Chapter 11 Proceedings OII.

Additionally, PG&E Corporation's and the Utility's ability to meet the eligibility and other requirements may be adversely impacted by the California Governor's review of the Proposed Plan that PG&E Corporation and the Utility filed with the Bankruptcy Court on January 31, 2020.

Failure to meet the eligibility conditions to access relief under the Wildfire Fund, including satisfaction of the eligibility requirements described above and the Utility making its initial contribution thereto, would preclude PG&E Corporation and the Utility from accessing the Wildfire Fund for future wildfire-related claims and any related benefits, including the disallowance cap, and could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

***The Utility is subject to extensive regulations and the risk of enforcement proceedings in connection with compliance with such regulations. PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected by the outcomes of the CPUC's investigative enforcement proceedings against the Utility, other known enforcement matters, and other ongoing state and federal investigations and requests for information.***

The Utility is subject to extensive regulations, including federal, state and local energy, environmental and other laws and regulations, and the risk of enforcement proceedings in connection with compliance with such regulations. The Utility could incur material charges, including fines and other penalties, in connection with the Wildfires OII, the locate and mark OII, the order to show cause related to the 2019 PSPS events, the safety culture OII, and other matters that the CPUC's SED may be investigating. The SED could launch investigations at any time on any issue it deems appropriate. Such proceedings are likely not subject to the automatic stay imposed as a result of the commencement of the Chapter 11 Cases; however, collection efforts in connection with fines or penalties arising out of such proceedings are stayed.

The SED has discretion whether to issue a penalty for each violation, but if it assesses a penalty for a violation, it may impose the maximum statutory penalty of \$50,000, per penalty, per day, with an administrative limit of \$8 million per citation issued. For offenses occurred after January 1, 2019, the maximum statutory penalty is \$100,000, per penalty, per day. The SED may, at its discretion, impose penalties on a daily basis, or on less than a daily basis, for violations that continued for more than one day. The SED may also issue multiple citations per violation or address multiple violations in a single citation. While it is uncertain how the CPUC would calculate the number of violations or the penalty for any violations, such fines or penalties could be significant and materially affect PG&E Corporation's and the Utility's liquidity and results of operations. (See "Regulatory Environment" in Item 1. Business and Note 15 to the Consolidated Financial Statements in Item 8.)

The Utility could be subject to additional regulatory or governmental enforcement action in the future with respect to compliance with federal, state or local laws, regulations or orders that could result in additional fines, penalties or customer refunds, including those regarding renewable energy and resource adequacy requirements; customer billing; customer service; affiliate transactions; vegetation management; design, construction, operating and maintenance practices; safety and inspection practices; compliance with CPUC general orders or other applicable CPUC decisions or regulations; federal electric reliability standards; and environmental compliance. CPUC staff could also impose penalties on the Utility in the future in accordance with its authority under the gas and electric safety citation programs. The amount of such fines, penalties, or customer refunds could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

The Utility also is a target of a number of investigations, in addition to certain investigations in connection with the wildfires. (See "Risks Related to Wildfires," above.) The Utility is unable to predict the outcome of pending investigation, including whether any charges will be brought against the Utility, or the amount of any costs and expenses associated with such investigations.

If these investigations result in enforcement action against the Utility, the Utility could incur additional fines or penalties the amount of which could be substantial and, in the event of a judgment against the Utility, suffer further ongoing negative consequences. Furthermore, a negative outcome in any of these investigations, or future enforcement actions, could negatively affect the outcome of future ratemaking and regulatory proceedings to which the Utility may be subject; for example, by enabling parties to challenge the Utility's request to recover costs that the parties allege are somehow related to the Utility's violations. (See also "PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected in the event of non-compliance with the terms of probation or in the event of modifications to the conditions of probation" above.)

***PG&E Corporation's and the Utility's financial results primarily depend on the outcomes of regulatory and ratemaking proceedings and the Utility's ability to manage its operating expenses and capital expenditures so that it is able to earn its authorized rate of return in a timely manner.***

As a regulated entity, the Utility's rates are set by the CPUC or the FERC on a prospective basis and are generally designed to allow the Utility to collect sufficient revenues to recover reasonable costs of providing service, including a return on its capital investments. PG&E Corporation's and the Utility's financial results could be materially affected if the CPUC or the FERC does not authorize sufficient revenues for the Utility to safely and reliably serve its customers and earn its authorized ROE. The outcome of the Utility's ratemaking proceedings can be affected by many factors, including the level of opposition by intervening parties; potential rate impacts; increasing levels of regulatory review; changes in the political, regulatory, or legislative environments; and the opinions of the Utility's regulators, consumer and other stakeholder organizations, and customers, about the Utility's ability to provide safe, reliable, and affordable electric and gas services. Further, an increase in the amount of capacity located in the Utility's service territory that is procured by the CAISO under Reliability Must Run ("RMR") contracts could increase the Utility's costs of procuring capacity needed for reliable service to its customers.

In addition to the amount of authorized revenues, PG&E Corporation's and the Utility's financial results could be materially affected if the Utility's actual costs to safely and reliably serve its customers differ from authorized or forecast costs. The Utility may incur additional costs for many reasons including changing market circumstances, unanticipated events (such as wildfires, storms, earthquakes, accidents, or catastrophic or other events affecting the Utility's operations), or compliance with new state laws or policies. Although the Utility may be allowed to recover some or all of the additional costs, there may be a substantial delay between when the Utility incurs the costs and when the Utility is authorized to collect revenues to recover such costs. Alternatively, the CPUC or the FERC may disallow costs that they determine were not reasonably or prudently incurred by the Utility.

The Utility also is required to incur costs to comply with legislative and regulatory requirements and initiatives, such as those relating to the development of a state-wide electric vehicle charging infrastructure, the deployment of distributed energy resources, implementation of demand response and customer energy efficiency programs, energy storage and renewable energy targets, underground gas storage, and the construction of the California high-speed rail project. The Utility's ability to recover costs, including its investments, associated with these and other legislative and regulatory initiatives will depend, in large part, on the final form of legislative or regulatory requirements, and the associated ratemaking mechanisms associated with these initiatives, including the timely adjustment of such mechanisms to reflect any lowered customer demand for the Utility's electricity and natural gas services.

***PG&E Corporation's and the Utility's financial results depend upon the Utility's continuing ability to recover "pass-through" costs, including electricity and natural gas procurement costs, from customers in a timely manner. The CPUC may disallow procurement costs for a variety of reasons. In addition, the Utility's ability to recover these costs could be affected by the loss of Utility customers and decreased new customer growth, if the CPUC fails to adjust the Utility's rates to reflect such events.***

The Utility meets customer demand for electricity from a variety of sources, including electricity generated from the Utility's own generation facilities, electricity provided by third parties under power purchase agreements, and purchases on the wholesale electricity market. The Utility must manage these sources using the commercial and CPUC regulatory principles of "least cost dispatch" and prudent administration of power purchase agreements in compliance with its CPUC-approved long-term procurement plan. The CPUC could disallow procurement costs incurred by the Utility if the CPUC determines that the Utility did not comply with these principles or if the Utility did not comply with its procurement plan.

Further, the contractual prices for electricity under the Utility's current or future power purchase agreements could become uneconomic in the future for a variety of reasons, including developments in alternative energy technology, increased self-generation by customers, an increase in distributed generation, and lower customer demand due to adverse economic conditions or the loss of the Utility's customers to other retail providers. Despite the CPUC's current approval of the contracts, the CPUC could disallow contract costs in the future if it determines that the terms of such contracts, including price, do not meet the CPUC reasonableness standard.

The Utility's ability to recover the costs it incurs in the wholesale electricity market may be affected by whether the CAISO wholesale electricity market continues to function effectively. Although market mechanisms are designed to limit excessive prices, these market mechanisms could fail, or the related systems and software on which the market mechanisms rely may not perform as intended which could result in excessive market prices. The CPUC could prohibit the Utility from passing through the higher costs of electricity to customers.

Further, PG&E Corporation's and the Utility's financial results could be affected by the loss of Utility customers and decreasing bundled load that occurs through municipalization of the Utility's facilities, an increase in the number of CCAs that provide electricity to their residents, and an increase in the number of consumers who become direct access customers of alternative generation providers. (See "Competition in the Electricity Industry" in Item 1.) As the number of bundled customers (i.e., those customers who receive electricity and distribution service from the Utility) declines, the rates for remaining customers could increase as the Utility would have a smaller customer base from which to recover certain procurement costs. Although the Utility is permitted to collect non-bypassable charges for above market generation-related costs incurred on behalf of former customers, the charges may not be sufficient for the Utility to fully recover these costs. In addition, the Utility's ability to collect non-bypassable charges has been, and may continue to be, challenged by certain customer groups. Furthermore, if the former customers return to receiving electricity supply from the Utility, the Utility could incur costs to meet their electricity needs that it may not be able to timely recover through rates or that it may not be able to recover at all.

In addition, increasing levels of self-generation of electricity by customers (primarily solar installations) and the use of customer NEM, which allows self-generating customers to receive bill credits for surplus power at the full retail rate, puts upward rate pressure on remaining customers, who may incur significantly higher bills due to an increase in customers seeking alternative energy providers.

A confluence of technology-related cost declines and sustained federal or state subsidies could make a combination of distributed generation and energy storage a viable, cost-effective alternative to the Utility's bundled electric service which could further threaten the Utility's ability to recover its generation, transmission, and distribution investments. If the number of the Utility's customers decreases or grows at a slower rate than anticipated, the Utility's level of authorized capital investment could decline as well, leading to a slower growth in rate base and earnings. Reduced energy demand or significantly slowed growth in demand due to customer migration to other energy providers, adoption of energy efficient technology, conservation, increasing levels of distributed generation and self-generation, unless substantially offset through regulatory cost allocations, could materially affect PG&E Corporation's and the Utility's business, financial condition, results of operations, liquidity, and cash flows.

Further, changes in commodity prices also may have an adverse effect on the Utility's ability to timely recover its operating costs and earn its authorized ROE. Although the Utility generally recovers its electricity and natural gas procurement costs from customers as "pass-through" costs, a significant and sustained rise in commodity prices could create overall rate pressures that make it more difficult for the Utility to recover its costs that are not categorized as "pass-through" costs. To relieve some of this upward rate pressure, the CPUC could authorize lower revenues than the Utility requested or disallow full cost recovery.

If the Utility is unable to recover a material portion of its procurement costs and/or if the CPUC fails to adjust the Utility's rates to reflect the impact of changing loads, the wide deployment of distributed generation, and the development of new electricity generation and energy storage technologies, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected.

#### **Risks Related to Operations and Information Technology**

***The Utility's electricity and natural gas operations are inherently hazardous and involve significant risks which, if they materialize, can materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.***

The Utility owns and operates extensive electricity and natural gas facilities, including two nuclear generation units and an extensive hydroelectric generating system. (See "Electric Utility Operations" and "Natural Gas Utility Operations" in Item 1. Business above.) The Utility's ability to earn its authorized ROE depends on its ability to efficiently maintain, operate, and protect its facilities, and provide electricity and natural gas services safely and reliably. The Utility undertakes substantial capital investment projects to construct, replace, and improve its electricity and natural gas facilities. In addition, the Utility is obligated to decommission its electricity generation facilities at the end of their useful operating lives, and the CPUC approved retirement of Diablo Canyon by 2024 and 2025.

The Utility's ability to safely and reliably operate, maintain, construct and decommission its facilities is subject to numerous risks, many of which are beyond the Utility's control, including those that arise from:

- the breakdown or failure of equipment, electric transmission or distribution lines, or natural gas transmission and distribution pipelines or other assets or group of assets, that can cause explosions, fires, public or workforce safety issues, large scale system disruption or other catastrophic events;

- an overpressure event occurring on natural gas facilities due to equipment failure, incorrect operating procedures or failure to follow correct operating procedures, or welding or fabrication-related defects, that results in the failure of downstream transmission pipelines or distribution assets and uncontained natural gas flow;
- the failure to maintain adequate capacity to meet customer demand on the gas system that results in customer curtailments, controlled/uncontrolled gas outages, gas surges back into homes, serious personal injury or loss of life;
- a prolonged statewide electrical black-out that results in damage to the Utility’s equipment or damage to property owned by customers or other third parties;
- the failure to fully identify, evaluate, and control workplace hazards that result in serious injury or loss of life for employees or the public, environmental damage, or reputational damage;
- the release of radioactive materials caused by a nuclear accident, seismic activity, natural disaster, or terrorist act;
- the failure of a large dam or other major hydroelectric facility, or the failure of one or more levees that protect land on which the Utility’s assets are built;
- the failure to take expeditious or sufficient action to mitigate operating conditions, facilities, or equipment, that the Utility has identified, or reasonably should have identified, as unsafe, which failure then leads to a catastrophic event (such as a wildfire or natural gas explosion);
- inadequate emergency preparedness plans and the failure to respond effectively to a catastrophic event that can lead to public or employee harm or extended outages;
- operator or other human error;
- a motor vehicle incident involving a Utility vehicle (or one operated on behalf of the Utility) resulting in serious injuries to or fatalities of the workforce or the public, property damage, or other consequences;
- an ineffective records management program that results in the failure to construct, operate and maintain a utility system safely and prudently;
- construction performed by third parties that damages the Utility’s underground or overhead facilities, including, for example, ground excavations or “dig-ins” that damage the Utility’s underground pipelines;
- the release of hazardous or toxic substances into the air, water, or soil, including, for example, gas leaks from natural gas storage facilities; flaking lead-based paint from the Utility’s facilities, and leaking or spilled insulating fluid from electrical equipment; and
- attacks by third parties, including cyber-attacks, acts of terrorism, vandalism, or war.

The occurrence of any of these events could interrupt fuel supplies; affect demand for electricity or natural gas; cause unplanned outages or reduce generating output; damage the Utility’s assets or operations; damage the assets or operations of third parties on which the Utility relies; damage property owned by customers or others; and cause personal injury or death. As a result, the Utility could incur costs to purchase replacement power, to repair assets and restore service, and to compensate third parties. Any of such incidents also could lead to significant claims against the Utility.



The adverse impact of the occurrence of any of these events may be exacerbated by the difficulty PG&E Corporation and the Utility may experience in making sufficient capital expenditure as a result of the Chapter 11 Cases. For the duration of the Chapter 11 Cases, the Utility's ability to finance capital expenditures and pay other ongoing expenses will primarily depend on the levels of its operating cash flows and availability under the DIP Credit Agreement. In the event that PG&E Corporation's and the Utility's capital needs increase materially due to unexpected events or transactions including but not limited to the events described above, additional financing outside of the DIP Facilities may be required, and there can be no assurance that PG&E Corporation and the Utility will be able to obtain such additional financing on favorable terms or at all, or that such additional financing will be approved by the Bankruptcy Court. In the event that PG&E Corporation and the Utility are unable to obtain such additional financing on favorable terms or at all, or are unable to obtain Bankruptcy Court approval of such additional financing, PG&E Corporation and the Utility may be unable to make necessary capital expenditures in connection with the occurrence of any of the above events. For more information on PG&E Corporation's and the Utility's material commitments for capital expenditures, see "Regulatory Matters" in Item 7. MD&A.

Further, although the Utility often enters into agreements for third-party contractors to perform work, such as patrolling and inspection of facilities, vegetation management, or the construction or demolition of facilities, the Utility may retain liability for the quality and completion of the contractor's work and can be subject to penalties or other enforcement action if the contractor violates applicable laws, rules, regulations, or orders. The Utility may also be subject to liability, penalties or other enforcement action as a result of personal injury or death caused by third-party contractor actions.

Insurance, equipment warranties, or other contractual indemnification requirements may not be sufficient or effective to provide full or even partial recovery under all circumstances or against all hazards or liabilities to which the Utility may become subject. An uninsured loss could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

***The Utility's insurance coverage may not be sufficient to cover losses caused by an operating failure or catastrophic events, including severe weather events, or may not be available at a reasonable cost, or available at all.***

The Utility has experienced increased costs and difficulties in obtaining insurance coverage for wildfires and other risks that could arise from the Utility's ordinary operations. PG&E Corporation, the Utility or its contractors and customers could continue to experience coverage reductions and/or increased insurance costs in future years. No assurance can be given that future losses will not exceed the limits of the Utility's insurance coverage. Uninsured losses and increases in the cost of insurance may not be recoverable in customer rates. A loss that is not fully insured or cannot be recovered in customer rates could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

As a result of the potential application to investor-owned utilities of a strict liability standard under the doctrine of inverse condemnation, recent losses recorded by insurance companies, the risk of increased wildfires including as a result of climate change, the 2019 Kincadee fire, the 2018 Camp fire, the 2017 Northern California wildfires, and the 2015 Butte fire, the Utility may not be able to obtain sufficient insurance coverage in the future at a reasonable cost, or at all. In addition, the Utility is unable to predict whether it would be allowed to recover in rates the increased costs of insurance or the costs of any uninsured losses.

If the amount of insurance is insufficient or otherwise unavailable, or if the Utility is unable to obtain insurance at a reasonable cost or recover in rates the costs of any uninsured losses, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected.

***The electric power and gas industries are undergoing significant changes driven by technological advancements and a decarbonized economy, which could materially affect the Utility's financial condition, results of operations, liquidity, and cash flows.***

The electric power industry is undergoing transformative change driven by technological advancements enabling customer choice (for example, customer-owned generation and energy storage) and state climate policy supporting a decarbonized economy. The electric grid is a critical enabler of the adoption of new energy technologies that support California's climate change and GHG reduction objectives, which continue to be publicly supported by California policymakers. California's environmental policy objectives are accelerating the pace and scope of the industry change. For instance, SB 100, which was signed into law on September 10, 2018, increases from 50% to 60%, the percentage of California's electricity portfolio that must come from renewables by 2030. SB 100 establishes a further goal to have an electric grid that is entirely powered by clean energy by 2045. California utilities also are experiencing increasing deployment by customers and third parties of DERs, such as on-site solar generation, energy storage, fuel cells, energy efficiency, and demand response technologies. These developments will require modernization of the electric distribution grid to, among other things, accommodate two-way flows of electricity, increase the grid's capacity, and interconnect DERs.

In order to enable the California clean energy economy, sustained investments are required in grid modernization, renewable integration projects, energy efficiency programs, energy storage options, EV infrastructure and state infrastructure modernization (e.g., rail and water projects).

To this end, the CPUC is conducting proceedings to: evaluate changes to the planning and operation of the electric distribution grid in order to prepare for higher penetration of DERs and, consider future grid modernization and grid reinforcement investments; evaluate if traditional grid investments can be deferred by DERs, and if feasible, what, if any, compensation to utilities would be appropriate for enabling those investments; and clarify the role of the electric distribution grid operator. The CPUC also authorized development of two new, five-year programs aimed at accelerating widespread electric vehicle adoption and combating climate change. The new programs will increase fast charging options for consumers as well as electric charging infrastructure for non-light-duty fleet vehicles.

In addition, in light of the state's commitment to clean energy and carbon neutral economy by 2045, California has recently proposed public policies that prohibit or restrict the use and consumption of natural gas, for example in buildings, that will have for effect to reduce the use of natural gas. Reducing natural gas use could lead to a reduction in the gas customer base and a diminished need for gas infrastructure and, as a result, could lead to certain gas assets no longer be "used and useful," potentially causing substantial investment value of gas assets to be stranded. (Under the CPUC rules, when an asset no longer meets the standard of "used and useful," the utility no longer recovers the costs from its customers or earns the associated rate of return.) However, while natural gas demand is projected to decline over time, the costs of operating a safe and reliable gas delivery system in California have been increasing, among other things, to cover the cost of long-term pipeline safety enhancements. Inability by the Utility to recover in rates its investments into the natural gas system while still ensuring gas system safety and reliability could materially affect the Utility's financial condition, results of operations, liquidity, and cash flows.

The industry changes, costs associated with complying with new regulatory developments and initiatives and with technological advancements, or the Utility's inability to successfully adapt to changes in the electric and gas industry, could materially affect the Utility's financial condition, results of operations, liquidity, and cash flows.

***A cyber incident, cyber security breach, severe natural event or physical attack on the Utility's operational networks and information technology systems could have a material effect on its financial condition, results of operations, liquidity, and cash flows.***

The Utility's electricity and natural gas systems rely on a complex, interconnected network of generation, transmission, distribution, control, and communication technologies, which can be damaged by natural events-such as severe weather or seismic events-and by malicious events, such as cyber and physical attacks. Private and public entities, such as the North American Electric Reliability Corporation, and U.S. Government Departments, including the Departments of Defense, Homeland Security and Energy, and the White House, have noted that cyber-attacks targeting utility systems are increasing in sophistication, magnitude, and frequency. The Utility's operational networks also may face new cyber security risks due to modernizing and interconnecting the existing infrastructure with new technologies and control systems. Any failure or decrease in the functionality of the Utility's operational networks could cause harm to the public or employees, significantly disrupt operations, negatively impact the Utility's ability to safely generate, transport, deliver and store energy and gas or otherwise operate in the most safe and efficient manner or at all, and damage the Utility's assets or operations or those of third parties.

The Utility also relies on complex information technology systems that allow it to create, collect, use, disclose, store and otherwise process sensitive information, including the Utility's financial information, customer energy usage and billing information, and personal information regarding customers, employees and their dependents, contractors, and other individuals. In addition, the Utility often relies on third-party vendors to host, maintain, modify, and update its systems, and to provide other services to the Utility or the Utility's customers. In addition, the Utility is increasingly being required to disclose large amounts of data (including customer energy usage and personal information regarding customers) to support changes to California's electricity market related to grid modernization and customer choice. These third-party vendors could cease to exist, fail to establish adequate processes to protect the Utility's systems and information, or experience security incidents or inadequate security measures. Any incidents or disruptions in the Utility's information technology systems could impact the Utility's ability to track or collect revenues and to maintain effective internal controls over financial reporting.

The Utility and its third-party vendors have been subject to, and will likely continue to be subject to, breaches and attempts to gain unauthorized access to the Utility's information technology systems or confidential data (including information about customers and employees), or to disrupt the Utility's operations. None of these breaches or attempts has individually or in the aggregate resulted in a security incident with a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. Despite implementation of security and control measures, there can be no assurance that the Utility will be able to prevent unauthorized access to its operational networks, information technology systems or data, or the disruption of its operations. Such events could subject the Utility to significant expenses, claims by customers or third parties, government inquiries, penalties for violation of applicable privacy laws, investigations, and regulatory actions that could result in material fines and penalties, loss of customers and harm to PG&E Corporation's and the Utility's reputation, any of which could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

The Utility maintains cyber liability insurance that covers certain damages caused by cyber incidents. However, there is no guarantee that adequate insurance will continue to be available at rates the Utility believes are reasonable or that the costs of responding to and recovering from a cyber incident will be covered by insurance or recoverable in rates.

***The operation and decommissioning of the Utility's nuclear generation facilities expose it to potentially significant liabilities and the Utility may not be able to fully recover its costs if regulatory requirements change or the facilities cease operations before the licenses expire.***

The operation of the Utility's nuclear generation facilities exposes it to potentially significant liabilities from environmental, health and financial risks, such as risks relating to the storage, handling and disposal of spent nuclear fuel, and the release of radioactive materials caused by a nuclear accident, seismic activity, natural disaster, or terrorist act. If the Utility incurs losses that are either not covered by insurance or exceed the amount of insurance available, such losses could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. In addition, the Utility may be required under federal law to pay up to \$275 million of liabilities arising out of each nuclear incident occurring not only at the Utility's Diablo Canyon facility but at any other nuclear power plant in the United States.

On January 11, 2018, the CPUC approved the retirement of Diablo Canyon units by 2024 and 2025. However, the Utility continues to face public concern about the safety of nuclear generation and nuclear fuel. Some of these nuclear opposition groups regularly file petitions at the NRC and in other forums challenging the actions of the NRC and urging governmental entities to adopt laws or policies in opposition to nuclear power. Although an action in opposition may ultimately fail, regulatory proceedings may take longer to conclude and be more costly to complete. It is also possible that public pressure could grow leading to adverse changes in legislation, regulations, orders, or their interpretation. As a result, operations at the Utility's two nuclear generation units at Diablo Canyon could cease before their respective licenses expire in 2024 and 2025. In such an instance, the Utility could be required to record a charge for the remaining amount of its unrecovered investment and such charge could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

In addition, in order to retain highly skilled personnel necessary to safely operate Diablo Canyon during the remaining years of operations, the Utility will incur costs in connection with (i) an employee retention program to ensure adequate staffing levels at Diablo Canyon, which program has been approved by the CPUC, and (ii) an employee retraining and development program, to facilitate redeployment of a portion of Diablo Canyon personnel to the decommissioning project and elsewhere in the Utility. There can be no assurance that the Utility will be successful in retaining highly skilled personnel under its employee programs.

The Utility has incurred, and may continue to incur, substantial costs to comply with NRC regulations and orders. (See “Regulatory Environment” in Item 1. Business above.) If the Utility were unable to recover these costs, PG&E Corporation’s and the Utility’s financial results could be materially affected. The Utility may determine that it cannot comply with the new regulations or orders in a feasible and economic manner and voluntarily cease operations; alternatively, the NRC may order the Utility to cease operations until the Utility can comply with new regulations, orders, or decisions. The Utility may incur a material charge if it ceases operations at Diablo Canyon’s two nuclear generation units before their respective licenses expire in 2024 and 2025. At December 31, 2019, the Utility’s unrecovered investment in Diablo Canyon was \$1.6 billion.

The Utility also has an obligation to decommission its electricity generation facilities, including its nuclear facilities, as well as gas transmission system assets, at the end of their useful lives. (See Note 3: Summary of Significant Accounting Policies - “Asset Retirement Obligations” of the Notes to the Consolidated Financial Statement in Item 8.) The CPUC authorizes the Utility to recover its estimated costs to decommission its nuclear facilities through nuclear decommissioning charges that are collected from customers and held in nuclear decommissioning trusts to be used for the eventual decommissioning of each nuclear unit. If the Utility’s actual decommissioning costs, including the amounts held in the nuclear decommissioning trusts, exceed estimated costs, PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows could be materially affected.

***For certain critical technologies, products and services, the Utility relies on a limited number of suppliers and, in some cases, sole suppliers. In the event these suppliers are unable to perform, the Utility could experience delays and disruptions in its operations while it transitions to alternative plans or suppliers.***

The Utility relies on a limited number of sole source suppliers for certain of its technologies, products and services. Although the Utility has long-term agreements with such suppliers, if the suppliers are unable to deliver these technologies, products or services, the Utility could experience delays and disruptions while it implements alternative plans and makes arrangements with acceptable substitute suppliers. As a result, the Utility’s business, financial condition, and results of operations could be materially affected. As an example, the Utility relies on Westinghouse Electric Company LLC (acquired in 2018 by Brookfield Business Partners L.P.) for its nuclear fuel assemblies, and Silver Spring Networks, Inc. and Aclara Technologies LLC as suppliers of proprietary SmartMeter™ devices and software, and of managed services, utilized in its advanced metering system that collects electric and natural gas usage data from customers. If these suppliers encounter performance difficulties or are unable to supply these devices or maintain and update their software, or provide other services to maintain these systems, the Utility’s metering, billing, and electric network operations could be impacted and disrupted.

***The Utility may be required to incur substantial costs in order to obtain or renew licenses and permits needed to operate the Utility’s business and the Utility may be subject to fines and penalties for failure to comply or obtain license renewal.***

The Utility must comply with the terms of various governmental permits, authorizations, and licenses, including those issued by the FERC for the continued operation of the Utility’s hydroelectric generation facilities, and those issued by environmental and other federal, state and local governmental agencies. Many of the Utility’s capital investment projects, and some maintenance activities, often require the Utility to obtain land use, construction, environmental, or other governmental permits. These permits, authorizations, and licenses may be difficult to obtain on a timely basis, causing work delays. Further, existing permits and licenses could be revoked or modified by the agencies that granted them if facts develop that differ significantly from the facts assumed when they were issued. In addition, the Utility often seeks periodic renewal of a license or permit, such as a waste discharge permit or a FERC operating license for a hydroelectric generation facility.

If a license or permit is not renewed for a particular facility and the Utility is required to cease operations at that facility, the Utility could incur an impairment charge or other costs. Before renewing a permit or license, the issuing agency may impose additional requirements that may increase the Utility’s compliance costs. In particular, in connection with a license renewal for one or more of the Utility’s hydroelectric generation facilities or assets, the FERC may impose new license conditions that could, among other things, require increased expenditures or result in reduced electricity output and/or capacity at the facility.

In addition, local governments may attempt to assert jurisdiction over various utility operations by requiring permits or other approvals that the Utility has not been previously required to obtain.

The Utility may incur penalties and sanctions for failure to comply with the terms and conditions of licenses and permits which could have a material effect on PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows. If the Utility cannot obtain, renew, or comply with necessary governmental permits, authorizations, licenses, ordinances, or other requirements, or if the Utility cannot recover the increase in associated compliance and other costs in a timely manner, PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows could be materially affected.

## Risks Related to Environmental Factors

***Severe weather conditions, extended drought and shifting climate patterns could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.***

Extreme weather, prior extended drought and shifting climate patterns have intensified the challenges associated with wildfire management in California. The Utility's service territory encompasses some of the most densely forested areas in California and, as a consequence, is subject to higher risk from vegetation-related ignition events than other California IOUs. Further, environmental extremes, such as prior drought conditions followed by periods of wet weather, can drive additional vegetation growth (which can then fuel fires) and influence both the likelihood and severity of extraordinary wildfire events. In California, over the past five years, inconsistent and extreme precipitation, coupled with more hot days, have increased the wildfire risk and made wildfire outbreaks increasingly difficult to manage. In particular, the risk posed by wildfires has increased in the Utility's service area as a result of a prior extended period of drought, bark beetle infestations in the California forest and wildfire fuel increases due to record rainfall following the drought, and strong wind events, among other environmental factors. Contributing factors other than environmental can include local land use policies and historical forestry management practices. The combined effects of extreme weather and climate change also impact this risk. For example, in 2017, there were nearly double the number of wildfires in California than the annual average, including five of the most devastating wildfires in California's history. On January 19, 2018, the CPUC approved a statewide fire-threat map that shows that approximately half of the Utility's service territory is facing "elevated" or "extreme" fire danger. Approximately 25,000 circuit miles of the Utility's nearly 81,000 distribution overhead circuit miles and approximately 5,500 miles of the nearly 18,000 transmission overhead circuit miles are in such high-fire threat areas, significantly more in total than other California IOUs.

Severe weather events and other natural disasters, including wildfires and other fires, storms, tornadoes, floods, heat waves, drought, earthquakes, tsunamis, rising sea levels, pandemics, solar events, electromagnetic events, or other natural disasters such as wildfires, could result in severe business disruptions, prolonged power outages, property damage, injuries or loss of life, significant decreases in revenues and earnings, and/or significant additional costs to PG&E Corporation and the Utility. Any such event could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. Any of such events also could lead to significant claims against the Utility. Further, these events could result in regulatory penalties and disallowances, particularly if the Utility encounters difficulties in restoring power to its customers on a timely basis or if the related losses are found to be the result of the Utility's practices and/or the failure of electric and other equipment of the Utility.

Further, the Utility has been studying the potential effects of climate change (increased temperatures, changing precipitation patterns, rising sea levels) on the Utility's operations and is developing contingency plans to adapt to those events and conditions that the Utility believes are most significant. Scientists project that climate change will increase electricity demand due to more extreme, persistent and hot weather. As a result, the Utility's hydroelectric generation could change and the Utility would need to consider managing or acquiring additional generation. If the Utility increases its reliance on conventional generation resources to replace hydroelectric generation and to meet increased customer demand, it may become more costly for the Utility to comply with GHG emissions limits. In addition, flooding caused by rising sea levels could damage the Utility's facilities, including gas, generation, and electric transmission and distribution assets. The Utility could incur substantial costs to repair or replace facilities, restore service, or compensate customers and other third parties for damages or injuries. The Utility anticipates that the increased costs would be recovered through rates, but as rate pressures increase, the likelihood of disallowance or non-recovery may increase.

Events or conditions caused by climate change could have a greater impact on the Utility's operations than the Utility's studies suggest and could result in lower revenues or increased expenses, or both. If the CPUC fails to adjust the Utility's rates to reflect the impact of events or conditions caused by climate change, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected.

***The Utility's operations are subject to extensive environmental laws and changes in or liabilities under these laws could adversely affect PG&E Corporation's and the Utility's financial results.***

The Utility's operations are subject to extensive federal, state, and local environmental laws, regulations, and orders, relating to air quality, water quality and usage, remediation of hazardous wastes, and the protection and conservation of natural resources and wildlife. The Utility incurs significant capital, operating, and other costs associated with compliance with these environmental statutes, rules, and regulations. The Utility has been in the past, and may be in the future, required to pay for environmental remediation costs at sites where it is identified as a potentially responsible party under federal and state environmental laws. Although the Utility has recorded liabilities for known environmental obligations, these costs can be difficult to estimate due to uncertainties about the extent of contamination, remediation alternatives, the applicable remediation levels, and the financial ability of other potentially responsible parties. (For more information, see Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

Environmental remediation costs could increase in the future as a result of new legislation, the current trend toward more stringent standards, and stricter and more expansive application of existing environmental regulations. Failure to comply with these laws and regulations, or failure to comply with the terms of licenses or permits issued by environmental or regulatory agencies, could expose the Utility to claims by third parties or the imposition of civil or criminal fines or other sanctions.

The CPUC has authorized the Utility to recover its environmental remediation costs for certain sites through various ratemaking mechanisms. One of these mechanisms allows the Utility rate recovery for 90% of its hazardous substance remediation costs for certain approved sites without a reasonableness review. The CPUC may discontinue or change these ratemaking mechanisms in the future or the Utility may incur environmental costs that exceed amounts the CPUC has authorized the Utility to recover in rates.

Some of the Utility's environmental costs, such as the remediation costs associated with the Hinkley natural gas compressor site, are not recoverable through rates or insurance. (See "Environmental Regulation" in Item 1. and Note 15 of the Notes to the Consolidated Financial Statements in Item 8.) The Utility's costs to remediate groundwater contamination near the Hinkley natural gas compressor site and to abate the effects of the contamination have had, and may continue to have, a material effect on PG&E Corporation's and the Utility's financial results. Their financial results also can be materially affected by changes in estimated costs and by the extent to which actual remediation costs differ from recorded liabilities.

***State climate policy requires reductions in greenhouse gases of 40% by 2030 and 80% by 2050. Various proposals for addressing these reductions have the potential to reduce natural gas usage and increase natural gas costs, which may impact the future of natural gas services. The future recovery of the increased costs associated with compliance is uncertain.***

The CARB is the state's primary regulator for GHG emission reduction programs. Natural gas providers have been subject to compliance with CARB's Cap-and-Trade Program since 2015, and natural gas end-use customers have an increasing exposure to carbon costs under the Program through 2030 when the full cost will be reflected in customer bills. CARB's Scoping Plan also proposes various methods of reducing GHG emissions from natural gas. These include more aggressive energy efficiency programs to reduce natural gas end use, increased renewable portfolio standards generation in the electric sector reducing noncore gas load, and replacement of natural gas appliances with electric appliances, leading to further reduced demand. These natural gas load reductions may be partially offset by CARB's proposals to deploy natural gas to replace wood fuel in home heating and diesel in transportation applications. CARB also proposes a displacement of some conventional natural gas with above-market renewable natural gas. The combination of reduced load and increased costs could result in higher natural gas customer bills and a potential mandate to deliver renewable natural gas could lead to cost recovery risk. In addition, local city governments have passed ordinances restricting use of natural gas in new construction, and if other jurisdictions follow suit, this could affect future demand for the provision of natural gas.

## Other Risk Factors

***Poor investment performance or other factors could require PG&E Corporation and the Utility to make significant unplanned contributions to its pension plan, other postretirement benefits plans, and nuclear decommissioning trusts.***

PG&E Corporation and the Utility provide defined benefit pension plans and other postretirement benefits for eligible employees and retirees. The Utility also maintains three trusts for the purposes of providing funds to decommission its nuclear facilities. The performance of the debt and equity markets affects the value of plan assets and trust assets. A decline in the market value may increase the funding requirements for these plans and trusts. The cost of providing pension and other postretirement benefits is also affected by other factors, including interest rates used to measure the required minimum funding levels, the rate of return on plan assets, employee demographics, discount rates used in determining future benefit obligations, rates of increase in health care costs, future government regulation, and prior contributions to the plans. Similarly, funding requirements for the nuclear decommissioning trusts are affected by the rates of return on trust assets, changes in the laws or regulations regarding nuclear decommissioning or decommissioning funding requirements as well as changes in assumptions or forecasts related to decommissioning dates, technology and the cost of labor, materials and equipment. (See Note 3: Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements in Item 8.) If the Utility is required to make significant unplanned contributions to fund the pension and postretirement plans or if actual nuclear decommissioning costs exceed the amount of nuclear decommissioning trust funds and the Utility is unable to recover the contributions or additional costs in rates, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected.

***The Utility's success depends on the availability of the services of a qualified workforce and its ability to maintain satisfactory collective bargaining agreements which cover a substantial number of employees. PG&E Corporation's and the Utility's results may suffer if the Utility is unable to attract and retain qualified personnel and senior management talent, or if prolonged labor disruptions occur.***

The Utility's workforce is aging and many employees are or will become eligible to retire within the next few years. Although the Utility has undertaken efforts to recruit and train new field service personnel, the Utility may be faced with a shortage of experienced and qualified personnel. The majority of the Utility's employees are covered by collective bargaining agreements with three unions. Labor disruptions could occur depending on the outcome of negotiations to renew the terms of these agreements with the unions or if tentative new agreements are not ratified by their members. In addition, some of the remaining non-represented Utility employees could join one of these unions in the future.

PG&E Corporation and the Utility also may face challenges in attracting and retaining senior management talent especially if they are unable to restore the reputational harm generated by the negative publicity stemming from the ongoing enforcement proceedings and the Chapter 11 Cases. Any such occurrences could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

***The Utility's business activities are concentrated in one region, as a result of which, its future performance may be affected by events and factors unique to California.***

The Utility's business activities are concentrated in Northern California. As a result, the Utility's future performance may be affected by events and economic factors unique to California or by regional regulation or legislation, including, for example, the doctrine of inverse condemnation. (See "The doctrine of inverse condemnation, if applied by courts in litigation to which PG&E Corporation and the Utility are subject, could significantly expand the potential liabilities from such litigation and materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows" above.)

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

The Utility owns or has obtained the right to occupy and/or use real property comprising the Utility's electricity and natural gas distribution facilities, electric generation facilities, natural gas gathering facilities and generation facilities, and natural gas and electricity transmission facilities, which are described in Item 1. Business, under "Electric Utility Operations" and "Natural Gas Utility Operations." The Utility occupies or uses real property that it does not own primarily through various leases, easements, rights-of-way, permits, or licenses from private landowners or governmental authorities. In total, the Utility occupies 11 million square feet of real property, including 9 million square feet owned by the Utility. The Utility's corporate headquarters comprises approximately 1.7 million square feet located in several Utility-owned buildings in San Francisco, California.

PG&E Corporation also leases approximately 42,000 square feet of office space from a third party in San Francisco, California. This lease will expire in 2022.

The Utility currently owns approximately 158,000 acres of land, including approximately 128,000 acres of watershed lands. In 2002 the Utility agreed to implement its LCC to permanently preserve the six "beneficial public values" on all the watershed lands through conservation easements or equivalent protections, as well as to make approximately 40,000 acres of the watershed lands available for donation to qualified organizations. The six "beneficial public values" being preserved by the LCC include: natural habitat of fish, wildlife, and plants; open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The Utility's goal is to implement all the transactions needed to implement the LCC by the end of 2022, subject to securing all required regulatory approvals.

## ITEM 3. LEGAL PROCEEDINGS

In addition to the following proceedings, PG&E Corporation and the Utility are parties to various lawsuits and regulatory proceedings in the ordinary course of their business. For more information regarding material lawsuits and proceedings, see Item 7. MD&A, and Notes 2, 14, and 15 of the Notes to the Consolidated Financial Statements in Item 8.

### U.S. District Court Matters and Probation

On August 9, 2016, the jury in the federal criminal trial against the Utility in the United States District Court for the Northern District of California, in San Francisco, found the Utility guilty on one count of obstructing a federal agency proceeding and five counts of violations of pipeline integrity management regulations of the Natural Gas Pipeline Safety Act. On January 26, 2017, the court imposed a sentence on the Utility in connection with the conviction. The court sentenced the Utility to a five-year corporate probation period, oversight by the Monitor for a period of five years, with the ability to apply for early termination after three years, a fine of \$3 million to be paid to the federal government, certain advertising requirements, and community service.

The probation includes a requirement that the Utility not commit any local, state, or federal crimes during the probation period. As part of the probation, the Utility has retained the Monitor at the Utility's expense. The goal of the Monitor is to help ensure that the Utility takes reasonable and appropriate steps to maintain the safety of its gas and electric operations, and to maintain effective ethics, compliance and safety related incentive programs on a Utility-wide basis.

On November 27, 2018, the court overseeing the Utility's probation issued an order requiring that the Utility, the United States Attorney's Office for the Northern District of California (the "USAO") and the Monitor provide written answers to a series of questions regarding the Utility's compliance with the terms of its probation, including what requirements of the Utility's probation "might be implicated were any wildfire started by reckless operation or maintenance of PG&E power lines" or "might be implicated by any inaccurate, slow, or failed reporting of information about any wildfire by PG&E." The court also ordered the Utility to provide "an accurate and complete statement of the role, if any, of PG&E in causing and reporting the recent 2018 Camp fire in Butte County and all other wildfires in California" since January 2017 ("Question 4 of the November 27 Order"). On December 5, 2018, the court issued an order requesting that the Office of the California Attorney General advise the court of its view on "the extent to which, if at all, the reckless operation or maintenance of PG&E power lines would constitute a crime under California law." The responses of the Attorney General were submitted on December 28, 2018, and the responses of the Utility, the USAO and the Monitor were submitted on December 31, 2018.



On January 3, 2019, the court issued a new order requiring that the Utility provide further information regarding the 2017 Atlas fire. The court noted that “[t]his order postpones the question of the adequacy of PG&E’s response” to Question 4 of the November 27 Order. On January 4, 2019, the court issued another order requiring that the Utility provide, “with respect to each of the eighteen October 2017 Northern California wildfires that [Cal Fire] has attributed to [the Utility’s] facilities,” information regarding the wind conditions in the vicinity of each fire’s origin and information about the equipment allegedly involved in each fire’s ignition. The responses of the Utility were submitted on January 10, 2019.

On January 9, 2019, the court ordered the Utility to appear in court on January 30, 2019, as a result of the court’s finding that “there is probable cause to believe there has been a violation of the conditions of supervision” with respect to reporting requirements related to the 2017 Honey fire. In addition, on January 9, 2019, the court issued an order (the “January 9 Order”) proposing to add new conditions of probation that would require the Utility, among other things, to:

- prior to June 21, 2019, “re-inspect all of its electrical grid and remove or trim all trees that could fall onto its power lines, poles or equipment in high-wind conditions, . . . identify and fix all conductors that might swing together and arc due to slack and/or other circumstances under high-wind conditions[,] identify and fix damaged or weakened poles, transformers, fuses and other connectors [and] identify and fix any other condition anywhere in its grid similar to any condition that contributed to any previous wildfires,”
- “document the foregoing inspections and the work done and . . . rate each segment’s safety under various wind conditions,” and
- at all times from and after June 21, 2019, “supply electricity only through those parts of its electrical grid it has determined to be safe under the wind conditions then prevailing.”

The Utility was ordered to show cause by January 23, 2019 as to why the Utility’s conditions of probation should not be modified as proposed. The Utility’s response was submitted on January 23, 2019. The court requested that Cal Fire file a public statement, and invited the CPUC to comment, by January 25, 2019. On January 30, 2019, the court found that the Utility had violated a condition of its probation with respect to reporting requirements related to the 2017 Honey fire. The court issued an order stating that a sentencing hearing on the probation violation will be set at a later date. Also, on January 30, 2019, the court ordered the Utility to submit to the court on February 6, 2019 the 2019 Wildfire Mitigation Plan that the Utility was required to submit to the CPUC by February 6, 2019 in accordance with SB 901, and invited interested parties to comment on such plan by February 20, 2019. In addition, on February 14, 2019, the court ordered the Utility to provide additional information, including on its vegetation clearance requirements. The Utility submitted its response to the court on February 22, 2019.

On March 5, 2019, the court issued an order proposing to add new conditions of probation that would require the Utility, among other things, to:

- “fully comply with all applicable laws concerning vegetation management and clearance requirements;”
- “fully comply with the specific targets and metrics set forth in its wildfire mitigation plan, including with respect to enhanced vegetation management;”
- submit to “regular, unannounced inspections” by the Monitor “of PG&E’s vegetation management efforts and equipment inspection, enhancement, and repair efforts” in connection with a requirement that the Monitor “assess PG&E’s wildfire mitigation and wildfire safety work;”
- “maintain traceable, verifiable, accurate, and complete records of its vegetation management efforts” and report to the Monitor monthly on its vegetation management status and progress; and
- “ensure that sufficient resources, financial and personnel, including contractors and employees, are allocated to achieve the foregoing” and to forgo issuing “any dividends until [the Utility] is in compliance with all applicable vegetation management requirements as set forth above.”

The court ordered all parties to show cause by March 22, 2019, as to why the Utility's conditions of probation should not be modified as proposed. The responses of the Utility, the USAO, Cal Fire, the CPUC, and non-party victims were filed on March 22, 2019. At a hearing on April 2, 2019, the court indicated it would impose the new conditions of probation proposed on March 5, 2019, on the Utility, and on April 3, 2019, the Court issued an order imposing the new terms though amended the second condition to clarify that "[f]or purposes of this condition, the operative wildfire mitigation plan will be the plan ultimately approved by the CPUC."

Also, on April 2, 2019, the court directed the parties to submit briefing by April 16, 2019, regarding whether the court can extend the term of probation beyond five years in light of the violation that has been adjudicated and whether the Monitor reports should be made public. The responses of the Utility, the USAO, and the Monitor were filed on April 16, 2019. The Utility's response contended that the term of probation may not be extended beyond five years and the USAO's response contended that whether the term of probation could be extended beyond five years was an open legal issue.

The court held a sentencing hearing on the probation violation related to reporting requirements in connection with the 2017 Honey fire on May 7, 2019. After that hearing, the court imposed two additional conditions of probation by order dated May 14, 2019: (1) requiring that PG&E Corporation's Board of Directors, Chief Executive Officer, senior executives, the Monitor and U.S. Probation Officer visit the towns of Paradise and San Bruno "to gain a firsthand understanding of the harm inflicted on those communities;" and (2) requiring that a committee of PG&E Corporation's Board of Directors assume responsibility for tracking progress of the 2019 Wildfire Mitigation Plan and the additional terms of probation regarding wildfire safety, reporting in writing to the full Board at least quarterly. The court also stated that it was not going to rule at this time on whether the court has authority to extend probation and would leave that question "in abeyance." The court did not discuss whether the Monitor reports should be made public. Members of PG&E Corporation's Board of Directors and senior management attended site visits to the Town of Paradise on June 7, 2019 and the City of San Bruno on July 16, 2019, which were coordinated by the U.S. Probation Officer overseeing the Utility's probation. In addition, the Compliance and Public Policy Committee, a committee of PG&E Corporation's Board of Directors, will be responsible for tracking the Utility's progress against the Utility's wildfire mitigation plan, as approved by the CPUC, and compliance with the terms of the Utility's probation regarding wildfire safety.

On July 10, 2019, the court ordered the Utility to respond to a Wall Street Journal article titled "PG&E Knew for Years Its Lines Could Spark Wildfires, and Didn't Fix Them" on a paragraph-by-paragraph basis, stating the extent to which each paragraph in the article is accurate. The court also ordered the Utility to disclose all political contributions made by the Utility since January 1, 2017, and provide additional explanations regarding those contributions and dividends distributed prior to filing the Chapter 11 Cases. The Utility filed its response with the court on July 31, 2019. In the response, the Utility disagreed with the Wall Street Journal article's suggestion that the Utility knew of the specific maintenance conditions that caused the 2018 Camp fire and nonetheless deferred work that would have addressed those conditions.

On July 26, 2019, the Monitor submitted a letter to the court regarding its VM field inspections, which were designed to evaluate the Utility's compliance with aspects of its publicly-filed Wildfire Mitigation Plan's EVM. The Monitor's letter, which was filed on the public docket on August 14, 2019, provided its preliminary observations and preliminary findings, which included that (1) the Utility's contractors had missed trees that should have been identified and worked under the EVM program; and (2) the Utility's systems for recording, tracking and assigning EVM work were inconsistent and may have been contributing to the missed work. In its September 3, 2019 response to the Monitor's letter, the Utility detailed its plan to address the concerns raised by the Monitor. The Monitor's concerns and the Utility's response were discussed at a hearing on September 17, 2019.

During the September 17, 2019 hearing, the court asked the Utility to provide information about: (1) its preparation for high wind season; and (2) the number of fires 10 acres or greater allegedly caused by the Utility to date in 2019. The Utility responded on October 1, 2019 by describing its efforts to strengthen its programs and infrastructure to maximize safety and mitigate the potential wildfire risk during high wind season. The Utility also responded that as of September 17, 2019, the Utility's equipment may have contributed to nine ignitions in 2019 that resulted in fires 10 acres or greater. Two of these fires were potentially caused by vegetation and one was potentially caused by equipment. On October 2, 2019, the court asked the Utility for further information regarding the three fires potentially caused by vegetation and equipment. In its response, which was filed on October 9, 2019, the Utility provided information regarding certain fires, including but not limited to total acreage of the fire, ignition date, and potential causes.

On October 8, 2019, the court held a hearing related to the Utility's San Bruno community service.

On October 14, 2019, the court issued a request for information in connection with the PSPS event the Utility initiated on October 9, 2019 that shut off power to approximately 738,000 customers in 34 counties across Northern and Central California, asking the Utility to file a statement setting forth, among other information, “how many trees and limbs fell or blew onto the deenergized lines and how many of those would likely have caused arcing had the power been left on.” The Utility’s response was filed on October 30, 2019.

On November 4, 2019, the court issued a request for information in connection with PSPS events the Utility initiated in late October of 2019, asking the Utility to file a statement setting forth, among other information, the same type of information requested on October 14, 2019 in connection with the PSPS event initiated on October 9, 2019. The Utility filed its response on November 29, 2019.

On November 12, 2019, the court approved the request of the City of San Bruno to allow the Utility to satisfy the remainder of its community service requirements by making a \$3 million payment to the City of San Bruno, and on November 27, 2019, the court signed an order in connection therewith. As a result, on December 10, 2019, the court paid \$3 million to the City of San Bruno.

The Utility continued filing responses to the court’s additional requests in December 2019.

On December 20, 2019, the court ordered the Utility to state whether the Utility is in full compliance with two conditions of its probation: (1) the Utility must fully comply with all applicable laws concerning vegetation management and clearance requirements; and (2) the Utility must fully comply with the specific targets and metrics set forth in its wildfire mitigation plan. The Utility submitted its response to the court on January 15, 2020.

On January 16, 2020, the court issued an order to show cause noting that the Utility had admitted it was not in full compliance with the following conditions of probation: (1) fully complying with all applicable laws concerning vegetation management; and (2) fully complying with specific targets and metrics set forth in its wildfire mitigation plan. The court set a show cause hearing for February 19, 2020, to discuss why a further condition of probation should not be imposed requiring the Utility to hire sufficient crews to enable it to fully comply with the laws and its wildfire mitigation plan concerning vegetation management. The Utility submitted its response to the court on February 12, 2020.

On January 24, 2020, the court issued an additional order to show cause as to why, going forward, the Utility should not restrict all bonuses and other incentives for supervisors and above exclusively to achieving its wildfire mitigation plan and other safety goals. The Utility submitted its response to the court on February 12, 2020. A hearing in connection with this order is scheduled for February 19, 2020.

On February 4, 2020, the court issued an order directing the Utility to provide, by February 18, 2020, additional information in connection with the Utility’s prior responses dated November 29, 2019, December 19, 2019, and January 15, 2020, including regarding assets inspections and the condition of its electric assets.

The Utility expects to continue receiving additional orders from the court in the future.

#### **Order Instituting an Investigation into PG&E Corporation’s and the Utility’s Safety Culture**

On August 27, 2015, the CPUC began a formal investigation into whether the organizational culture and governance of PG&E Corporation and the Utility prioritize safety and adequately direct resources to promote accountability and achieve safety goals and standards. The CPUC directed the SED to evaluate the Utility’s and PG&E Corporation’s organizational culture, governance, policies, practices, and accountability metrics in relation to the Utility’s record of operations, including its record of safety incidents. The SED engaged a consultant to assist in the SED’s investigation and the preparation of a report containing the SED’s assessment, and subsequently, to report on the implementation by the Utility of the consultant’s recommendations.

On May 8, 2017, the CPUC released the consultant's report, accompanied by a scoping memo and ruling. The scoping memo established a second phase in the OII in which the CPUC evaluated the safety recommendations of the consultant. Phase two of the proceeding also considered all necessary measures, including, but not limited to, a potential reduction of the Utility's return on equity. On November 17, 2017, the CPUC issued further a phase two scoping memo and procedural schedule. The scoping memo directed the Utility to file testimony addressing a number of issues including: adoption of the safety recommendations from the consultant, the Utility's implementation process for the safety recommendations of the consultant, the Utility's Board of Director's actions and initiatives related to safety culture and the consultant's recommendations, the Utility's corrective action program, and the Utility's response to certain specified safety incidents that occurred in 2013 through 2015.

The Utility's testimony was submitted to the CPUC on January 8, 2018 and stated that the Utility agrees with all the recommendations of the consultant and supports their adoption by the CPUC. Other parties' responsive testimony was submitted on February 16, 2018, followed by the Utility's rebuttal testimony on February 23, 2018.

On November 29, 2018, the CPUC approved a decision that directed the Utility to implement the recommendations set forth in the May 2017 consultant report no later than July 1, 2019, and to submit quarterly reports on the Utility's implementation status beginning in the fourth quarter of 2018.

On December 21, 2018, the CPUC issued another scoping memo and ruling expanding the proceeding and directing that the CPUC "will examine [PG&E's] current corporate governance, structure, and operations to determine if the utility is positioned to provide safe electrical and gas service, and will review alternatives to the current management and operational structures of providing electric and gas service in Northern California."

The CPUC alleged that the Utility has had "serious safety problems with both its gas and electric operations for many years" and that despite penalties and other remedial measures in connection with these problems, PG&E Corporation and the Utility have failed to develop "a comprehensive enterprise-wide approach to addressing safety." The scoping memo outlined a number of proposals to address the CPUC's concerns regarding PG&E Corporation's and the Utility's safety culture, including, but not limited to, (i) replacement of all or part of PG&E Corporation's and the Utility's existing boards of directors and corporate management, (ii) separating the Utility's gas and electric distribution and transmission businesses into separate companies, (iii) reorganizing the Utility into regional subsidiaries based on regional distinctions, (iv) reconstituting the Utility as a publicly owned utility or utilities, (v) providing for entities other than the Utility to provide generation services and (vi) conditioning the Utility's return on equity on safety performance. The scoping memo did not propose penalties and stated that this phase "is not a punitive phase." The Utility submitted its background filing to the CPUC on January 16, 2019 and opening comments were filed on February 13, 2019. The Utility and other parties filed reply comments on February 28, 2019. The CPUC held workshops on April 15, 2019 and April 26, 2019.

On June 13, 2019, the CPUC issued a decision that directed PG&E Corporation and the Utility to provide information about the safety experience and qualifications of each of the directors on their boards. PG&E Corporation and the Utility filed their response with the CPUC on July 3, 2019.

On June 18, 2019, the CPUC issued a ruling requesting comments from parties on four proposals that it stated may improve the safety culture of PG&E Corporation and the Utility. The four proposals are: separating the Utility into gas and electric utilities (including, as one possibility, sale of the gas assets to a third party); establishing periodic review of the Utility's certificate of convenience and necessity; modifying or eliminating PG&E Corporation's holding company structure; and linking the Utility's rate of return or return on equity to safety performance metrics.

Opening comments on the ruling were filed on July 19, 2019 and reply comments were filed on August 2, 2019.

PG&E Corporation and the Utility are unable to predict whether additional fines, penalties, or other regulatory actions may be taken, such as requiring the Utility to separate its electric and natural gas businesses, or restructure into separate entities, or undertake some other corporate restructuring, or transfer ownership of the Utility's assets to municipalities or other public entities, or implement corporate governance changes.

## Diablo Canyon Nuclear Power Plant

The Utility's Diablo Canyon power plant employs a "once-through" cooling water system that is regulated under a Clean Water Act permit issued by the Central Coast Regional Water Quality Control Board. In January 2000, the Central Coast Regional Water Quality Control Board issued a proposed draft cease and desist order alleging that, although the permit's temperature limit had never been exceeded, the discharge was not protective of beneficial uses. This issue was resolved under a tentative global settlement addressing all aspects of the once-through cooling discharge that was initially approved in March 2003, but then later rejected by the Central Coast Regional Water Quality Control Board. Subsequently, in 2010 the California Water Board adopted a policy on once-through cooling that established specific compliance requirements. For Diablo Canyon, the policy set a compliance date of December 31, 2024, required an evaluation of the feasibility and cost of alternative technologies, and allowed for alternative compliance requirements. However, with the January 11, 2018 CPUC approval of Diablo Canyon's retirement at the expiration of its existing NRC licenses, alternative compliance measures are no longer necessary. The policy still requires annual interim mitigation payments based on actual cooling water flow volume, which the Utility will continue to pay until operations cease in 2025.

The Utility expects that its decision to retire Diablo Canyon will affect the terms of a final settlement agreement between the Utility and the Central Coast Regional Water Quality Control Board regarding the thermal component of the plant's once-through cooling discharge. PG&E Corporation and the Utility believe that the ultimate outcome of this matter will not have a material effect on the Utility's financial condition, results of operations, liquidity, and cash flows.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## EXECUTIVE OFFICERS OF THE REGISTRANTS

The following individuals serve as executive officers of PG&E Corporation, as of February 18, 2020. Except as otherwise noted, all positions have been held at PG&E Corporation.

<u>Name</u>	<u>Age</u>	<u>Positions Held Over Last Five Years</u>	<u>Time in Position</u>
William D. Johnson	66	Chief Executive Officer and President	May 2, 2019 to present
		President and Chief Executive Officer, Tennessee Valley Authority	2012 to April 2019
John R. Simon	55	Executive Vice President, Law, Strategy and Policy	June 3, 2019 to present
		Executive Vice President	May 2, 2019 to June 2, 2019
		Interim Chief Executive Officer	January 14, 2019 to May 1, 2019
		Executive Vice President and General Counsel	March 1, 2017 to January 13, 2019
		Executive Vice President, Corporate Services and Human Resources	August 18, 2015 to February 28, 2017
		Senior Vice President, Human Resources, PG&E Corporation and Pacific Gas and Electric Company	April 16, 2007 to August 17, 2015
Jason P. Wells	42	Executive Vice President and Chief Financial Officer	May 16, 2019 to present
		Senior Vice President and Chief Financial Officer, PG&E Corporation	January 1, 2016 to May 15, 2019
		Vice President, Business Finance, Pacific Gas and Electric Company	August 1, 2013 to December 31, 2015

Andrew M. Vesey	64	Chief Executive Officer and President, Pacific Gas and Electric Company Advisor, AGL Energy Limited Managing Director and Chief Executive Officer, AGL Energy Limited	August 19, 2019 to present September 2018 to December 2018 February 2015 to September 2018
Janet C. Loduca	52	Senior Vice President and General Counsel, PG&E Corporation and Pacific Gas and Electric Company Senior Vice President and Interim General Counsel, PG&E Corporation and Pacific Gas and Electric Company Senior Vice President and Deputy General Counsel, Pacific Gas and Electric Company Vice President and Deputy General Counsel, Counsel, Pacific Gas and Electric Company Vice President, Investor Relations	May 2, 2019 to present January 14, 2019 to May 1, 2019 December 1, 2018 to January 13, 2019 March 1, 2017 to November 30, 2018 January 1, 2015 to February 28, 2017

The following individuals serve as executive officers of the Utility as of February 18, 2020. Except as otherwise noted, all positions have been held at the Utility.

<u>Name</u>	<u>Age</u>	<u>Positions Held Over Last Five Years</u>	<u>Time in Position</u>
Andrew M. Vesey	64	Chief Executive Officer and President Advisor, AGL Energy Limited Managing Director and Chief Executive Officer, AGL Energy Limited	August 19, 2019 to present September 2018 to December 2018 February 2015 to September 2018
Michael A. Lewis	57	Senior Vice President, Electric Operations Vice President, Electric Distribution Operations Senior Vice President and Chief Distribution Officer, Duke Energy Senior Vice President and Chief Transmission Officer, Duke Energy	January 8, 2019 to present August 1, 2018 to January 7, 2019 September 2016 to August 2018 January 2015 to August 2016
Janet C. Loduca	52	Senior Vice President and General Counsel, PG&E Corporation and Pacific Gas and Electric Company Senior Vice President and Interim General Counsel, PG&E Corporation and Pacific Gas and Electric Company Senior Vice President and Deputy General Counsel Vice President and Deputy General Counsel Vice President, Investor Relations, PG&E Corporation	May 2, 2019 to present January 14, 2019 to May 1, 2019 December 1, 2018 to January 13, 2019 March 1, 2017 to November 30, 2018 January 1, 2015 to February 28, 2017
James M. Welsch	64	Senior Vice President, Generation and Chief Nuclear Officer Senior Vice President and Chief Nuclear Officer Vice President, Nuclear Generation and Chief Nuclear Officer Vice President, Nuclear Generation Site Vice President, Diablo Canyon Power Plant	August 10, 2019 to present May 16, 2019 to August 9, 2019 November 1, 2017 to May 15, 2019 November 4, 2016 to October 31, 2017 January 1, 2015 to November 3, 2016

David S. Thomason

44	Vice President, Chief Financial Officer, and Controller, Pacific Gas and Electric Company	June 1, 2016 to present
	Vice President and Controller, PG&E Corporation	June 1, 2016 to present
	Senior Director, Financial Forecasting and Analysis	March 2, 2015 to May 31, 2016
	Senior Director, Corporate Accounting	March 2, 2014 to March 1, 2015

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

As of February 13, 2020, there were 47,907 holders of record of PG&E Corporation common stock. PG&E Corporation common stock is listed on the New York Stock Exchange and is traded under the symbol "PCG". Shares of common stock of the Utility are wholly owned by PG&E Corporation. On December 20, 2017, the Boards of Directors of PG&E Corporation and the Utility suspended quarterly cash dividends on both PG&E Corporation's and the Utility's common stock, beginning the fourth quarter of 2017, as well as the Utility's preferred stock, beginning the three-month period ending January 31, 2018. (See "Liquidity and Financial Resources - Dividends" in Item 7. MD&A and in PG&E Corporation's Consolidated Statements of Equity, the Utility's Consolidated Statements of Shareholders' Equity, and in Note 6 of the Notes to the Consolidated Financial Statements in Item 8.)

#### ***Sales of Unregistered Equity Securities***

During the quarter ended December 31, 2019, PG&E Corporation did not make any equity contributions to the Utility. Also, PG&E Corporation did not make any sales of unregistered equity securities during 2019 in reliance on an exemption from registration under the Securities Act of 1933, as amended.

#### ***Issuer Purchases of Equity Securities***

During the quarter ended December 31, 2019, PG&E Corporation did not redeem or repurchase any shares of common stock outstanding. PG&E Corporation does not have any preferred stock outstanding. Also, during the quarter ended December 31, 2019, the Utility did not redeem or repurchase any shares of its various series of preferred stock outstanding.



**ITEM 6. SELECTED FINANCIAL DATA**

(in millions, except per share amounts)

	2019	2018	2017	2016	2015
<b>PG&amp;E Corporation</b>					
<b>For the Year</b>					
Operating revenues	\$ 17,129	\$ 16,759	\$ 17,135	\$ 17,666	\$ 16,833
Operating income (loss)	(10,094)	(9,700)	2,905	2,080	1,508
Net income (loss)	(7,642)	(6,837)	1,660	1,407	888
Net earnings (loss) per common share, basic <sup>(1)</sup>	(14.50)	(13.25)	3.21	2.79	1.81
Net earnings (loss) per common share, diluted	(14.50)	(13.25)	3.21	2.78	1.79
Dividends declared per common share <sup>(2)</sup>	—	—	1.55	1.93	1.82
<b>At Year-End</b>					
Common stock price per share	\$ 10.87	\$ 23.75	\$ 44.83	\$ 60.77	\$ 53.19
Total assets <sup>(3)</sup>	85,196	76,995	68,012	68,598	63,234
Long-term debt (excluding current portion)	—	—	17,753	16,220	15,925
Operating lease obligations (excluding current portion)	1,730	—	—	—	—
Financing lease obligations (excluding current portion) <sup>(3)</sup>	7	9	18	31	49
Financing debt subject to compromise	23,116	—	—	—	—
<b>Pacific Gas and Electric Company</b>					
<b>For the Year</b>					
Operating revenues	\$ 17,129	\$ 16,760	\$ 17,138	\$ 17,667	\$ 16,833
Operating income (loss)	(10,118)	(9,699)	2,846	2,081	1,511
Income (loss) available for common stock	(7,636)	(6,832)	1,677	1,388	848
<b>At Year-End</b>					
Total assets	84,614	76,471	67,884	68,374	63,037
Long-term debt (excluding current portion)	—	—	17,403	15,872	15,577
Operating lease obligations (excluding current portion)	1,726	—	—	—	—
Financing lease obligations (excluding current portion) <sup>(3)</sup>	7	9	18	31	49
Financing debt subject to compromise	22,450	—	—	—	—

<sup>(1)</sup> See “Overview – Summary of Changes in Net Income and Earnings per Share” in Item 7. MD&A.<sup>(2)</sup> Information about the frequency and amount of dividends and restrictions on the payment of dividends is set forth in “Liquidity and Financial Resources – Dividends” in Item 7. MD&A and in PG&E Corporation’s Consolidated Statements of Equity, the Utility’s Consolidated Statements of Shareholders’ Equity, and Note 6 of the Notes to the Consolidated Financial Statements in Item 8.<sup>(3)</sup> The financing lease obligations amounts are included in noncurrent liabilities -- other in PG&E’s Corporation’s and the Utility’s Consolidated Balance Sheets.**ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****OVERVIEW**

PG&E Corporation is a holding company whose primary operating subsidiary is Pacific Gas and Electric Company, a public utility serving northern and central California. The Utility generates revenues mainly through the sale and delivery of electricity and natural gas to customers.

The Utility's base revenue requirements are set by the CPUC in its GRC and GT&S rate case based on forecast costs. Differences between forecast costs and actual costs can occur for numerous reasons, including the volume of work required and the impact of market forces on the cost of labor and materials. Differences in costs can also arise from changes in laws and regulations at both the state and federal level. Generally, differences between actual costs and forecast costs affect the Utility's ability to earn its authorized return (referred to as "Utility Revenues and Costs that Impacted Earnings" in Results of Operations below). The Utility's base transmission revenue requirements are recovered through a formula rate approved by FERC that trues up forecast and actual costs. However, for certain operating costs, such as costs associated with pension benefits, the Utility is authorized to track the difference between actual amounts and forecast amounts and recover or refund the difference through rates (referred to as "Utility Revenues and Costs that did not Impact Earnings" in Results of Operations below). The Utility also collects revenue requirements to recover certain costs that the CPUC has authorized the Utility to pass on to customers, such as the costs to procure electricity or natural gas for its customers. Therefore, although these costs can fluctuate, they generally do not impact net income (referred to as "Utility Revenues and Costs that did not Impact Earnings" in Results of Operations below). See "Ratemaking Mechanisms" in Item 1. Business for further discussion.

This is a combined report of PG&E Corporation and the Utility, and includes separate Consolidated Financial Statements for each of these two entities. This combined MD&A should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in Item 8.

## **Chapter 11 Proceedings**

On the Petition Date, PG&E Corporation and the Utility filed voluntary petitions for relief under Chapter 11 in the Bankruptcy Court. PG&E Corporation's and the Utility's Chapter 11 Cases are being jointly administered under the caption In re: PG&E Corporation and Pacific Gas and Electric Company, Case No. 19-30088 (DM). For additional information regarding the Chapter 11 Cases, refer to the website maintained by Prime Clerk, LLC, PG&E Corporation's and the Utility's claims and noticing agent, at <http://restructuring.primeclerk.com/pge>. The contents of this website are not incorporated into this document.

For more information about the Chapter 11 Cases, see "Item 1A. Risk Factors – Risks Related to Chapter 11 Proceedings and Liquidity" and Notes 2 and 5 of the Notes to the Consolidated Financial Statements in Item 8 of this 2019 Form 10-K.

## **Going Concern**

The accompanying Consolidated Financial Statements to this Annual Report on Form 10-K have been prepared on a going concern basis, which contemplates the continuity of operations, the realization of assets and the satisfaction of liabilities in the normal course of business. However, PG&E Corporation and the Utility suffered material losses as a result of the 2017 Northern California wildfires and the 2018 Camp fire, which contributed to the decision to file for Chapter 11 protection. As a result of these challenges, such realization of assets and satisfaction of liabilities are subject to uncertainty. For more information about the 2018 Camp fire and 2017 Northern California wildfires, see Note 14 of the Notes to the Consolidated Financial Statements in Item 8.

Management has concluded that uncertainty regarding these matters raises substantial doubt about PG&E Corporation's and the Utility's ability to continue as going concerns, and their independent registered public accountants have included an explanatory paragraph in their auditors' reports which states certain conditions exist which raise substantial doubt about PG&E Corporation's and the Utility's ability to continue as going concerns in relation to the foregoing. The Consolidated Financial Statements do not include any adjustments that might result from the outcome of this uncertainty. For more information about these matters, see Notes 1 and 2 of the Notes to the Consolidated Financial Statements and "Report of Independent Registered Public Accounting Firm" in Item 8.

## **Summary of Changes in Net Income and Earnings per Share**

PG&E Corporation's net loss attributable to common shareholders were \$7.7 billion in 2019, compared to \$6.9 billion in 2018. PG&E Corporation recognized charges of \$11.4 billion for claims in connection with the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire for the year ended December 31, 2019, compared to charges of \$14.0 billion, net of probable insurance recoveries of \$2.2 billion, associated with third-party claims and legal and other costs related to the 2018 Camp fire and the 2017 Northern California wildfires during the year ended December 31, 2018.

## Key Factors Affecting Financial Results

PG&E Corporation and the Utility believe that their financial condition, results of operations, liquidity, and cash flows may be materially affected by the following factors:

- *The Outcome of the Chapter 11 Cases.* For the duration of the Chapter 11 Cases, PG&E Corporation's and the Utility's business is subject to the risks and uncertainties of bankruptcy. For example, the Chapter 11 Cases could adversely affect the Utility's relationships with suppliers and employees which, in turn, could adversely affect the value of the business and assets of PG&E Corporation and the Utility. PG&E Corporation and the Utility also have incurred and expect to continue to incur increased legal and other professional costs associated with the Chapter 11 Cases and the reorganization. At this time, it is not possible to predict with certainty the effect of the Chapter 11 Cases on their business or various creditors, or whether or when PG&E Corporation and the Utility will emerge from bankruptcy. PG&E Corporation's and the Utility's future financial condition, results of operations, liquidity and cash flows depend upon confirming, and successfully implementing, on a timely basis, a plan of reorganization. Although PG&E Corporation and the Utility have entered into settlement agreements to resolve the claims of the major classes of claimholders, including Utility debtholders, individual wildfire victims, holders of subrogated insurance claims and certain public entities, non-consenting claimholders may still be able to challenge and otherwise impede the Proposed Plan. These settlement agreements could be terminated under various circumstances, some of which are beyond PG&E Corporation's and the Utility's control. In addition, PG&E Corporation's and the Utility's ability to emerge from Chapter 11 is dependent on their ability to satisfy the conditions set forth in AB 1054, as determined by the CPUC. PG&E Corporation and the Utility believe the Proposed Plan meets the requirements of AB 1054 by, among other things, satisfying wildfire claims through settlements consistent with the terms of AB 1054, by keeping rates neutral, on average, for the Utility's customers, and by providing for the assumption of all power-purchase agreements, community-choice aggregation servicing agreements, and collective bargaining agreements. Finally, in order to emerge from Chapter 11, PG&E Corporation and the Utility must finance the Proposed Plan. There are numerous uncertainties related to such financings, including the ability to successfully raise equity or debt in the public or private markets, the ability to satisfy the terms and conditions set forth in the debt and equity commitment letters and the Noteholder RSA, the ability to collect insurance proceeds and the amount of additional capital that could be obtain to finance the Proposed Plan, including through securitization.
- *The Utility's Ability to Fund Ongoing Operations and Other Capital Needs.* In connection with the Chapter 11 Cases, PG&E Corporation and the Utility entered into the DIP Credit Agreement, which was approved on a final basis on March 27, 2019. For the duration of the Chapter 11 Cases, PG&E Corporation and the Utility expect that the DIP Credit Agreement, together with cash on hand and cash flow from operations, will be the Utility's primary source of capital to fund ongoing operations and other capital needs and that they will have limited, if any, access to additional financing. In the event that cash on hand, cash flow from operations, and availability under the DIP Credit Agreement are not sufficient to meet liquidity needs, PG&E Corporation and the Utility may be required to seek additional financing, and can provide no assurance that additional financing would be available or, if available, offered on acceptable terms. The amount of any such additional financing could be limited by negative covenants in the DIP Credit Agreement, which include restrictions on PG&E Corporation's and the Utility's ability to, among other things, incur additional indebtedness and create liens on assets.
- *The Impact of the 2018 Camp Fire and the 2017 Northern California Wildfires.* PG&E Corporation and the Utility face several uncertainties in connection with the 2018 Camp fire and 2017 Northern California wildfires, related to:
  - the amount of possible loss related to third-party claims (as of December 31, 2019, the Utility's best estimate of probable loss in connection with the 2018 Camp fire, 2017 Northern California wildfires and 2015 Butte fire was \$25.5 billion), which amount is subject to change based on a number of factors, including whether existing settlements are upheld, whether any termination events are triggered under these agreements, whether the classification and treatment of claims in the Proposed Plan is successfully challenged by claimholders who are not party to a settlement agreement, how the claims filed by Federal, state and local entities are resolved, and the ongoing criminal investigation with respect to the 2018 Camp fire;
  - whether, in light of the CPUC July 8, 2019 final decision in the CHT OIR that excludes companies in Chapter 11 from accessing the CHT, the Utility will be able to obtain a substantial recovery of costs related to the 2017 Northern California wildfires;
  - the impact of investigations, including criminal, regulatory, and SEC investigations;

- fines or penalties, which could be material, if any regulatory or law enforcement agency were to bring an enforcement action, including a criminal proceeding, and determine that the Utility had failed to comply with applicable laws and regulations;
- the amount of punitive damages, fines and penalties, or damages in respect of future claims, which could be material;
- the applicability of the doctrine of inverse condemnation in the 2018 Camp fire and 2017 Northern California wildfires litigation;
- the applicability of other theories of liability, including negligence, related to the 2018 Camp fire and 2017 Northern California wildfire claims;
- the recoverability of the above-mentioned costs, even if a court decision imposes liability under the doctrine of inverse condemnation;
- the ability of PG&E Corporation and the Utility to finance costs, expenses and other possible losses in respect of claims related to the 2018 Camp fire and the 2017 Northern California wildfires, through securitization mechanisms or otherwise; and
- the amount and recoverability of clean-up and repair costs (the Utility incurred costs of \$1.13 billion for clean-up and repair of the Utility's facilities through December 31, 2019).

(See Notes 4 and 14 of the Notes to the Consolidated Financial Statements in Item 8 and Item 1A. Risk Factors in Part I.)

- *The Impact of the 2019 Kincade Fire.* Regardless of whether the Utility is determined to have caused the 2019 Kincade fire, the 2019 Kincade fire could have numerous adverse consequences to PG&E Corporation and the Utility, including, among others:
  - PG&E Corporation's and the Utility's ability to consummate the Proposed Plan by June 30, 2020 (or at all) could be impaired, and PG&E Corporation and the Utility may not be able to amend the Proposed Plan, or develop another alternative to the Proposed Plan, that could be confirmed by June 30, 2020 (or at all);
  - depending on the number and type of structures damaged or destroyed by the 2019 Kincade fire or the amount of post-petition claims against PG&E Corporation or the Utility as a result of the 2019 Kincade fire, PG&E Corporation and the Utility may not be able to satisfy, or obtain a waiver of, the conditions precedent to the commitments under the Backstop Commitment Letters or the Debt Commitment Letters, or the Backstop Parties or the Commitment Parties, respectively, may have the right to terminate such commitments, which would jeopardize PG&E Corporation's and the Utility's ability to finance the Proposed Plan;
  - PG&E Corporation and the Utility may not be able to obtain alternative financing to the transactions contemplated by the Backstop Commitment Letters and the Debt Commitment Letters, and may not be able to obtain financing for an alternative plan that may be proposed by PG&E Corporation and the Utility after the impact of the 2019 Kincade fire is better known;
  - the Utility could be subject to significant liability in excess of insurance coverage that would be expected to have a material impact on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows;
  - the 2019 Kincade fire may have adverse consequences on the Utility's probation proceeding, the Utility's proceedings with the CPUC and FERC (including the Safety Culture OII and the Chapter 11 Proceedings OII), the criminal investigation into the 2018 Camp fire and future regulatory proceedings, including future applications for the safety certification required by AB 1054;
  - PG&E Corporation and the Utility may experience even greater difficulty in securing adequate insurance coverage for wildfire risks; and

- PG&E Corporation and the Utility expect to suffer additional reputational harm and face an even more challenging operating, political, and regulatory environment.
- *The Uncertainties in Connection with Any Future Wildfires, Wildfire Insurance, and AB 1054.* While PG&E Corporation and the Utility cannot predict the occurrence, timing or extent of damages in connection with future wildfires, factors such as environmental conditions (including weather and vegetation conditions) and the efficacy of wildfire risk mitigation initiatives are expected to influence the frequency and severity of future wildfires. Although the financial impact of future wildfires could be mitigated through insurance, the Utility may not be able to obtain sufficient wildfire insurance coverage at a reasonable cost, or at all, and any such coverage may include limitations that could result in substantial uninsured losses depending on the amount and type of damages resulting from covered events. In addition, the policy reforms contemplated by AB 1054 are likely to affect the financial impact of future wildfires on PG&E Corporation and the Utility should any such wildfires occur. The Wildfire Fund would be available to the Utility to pay eligible claims for liabilities arising from future wildfires and would serve as an alternative to traditional insurance products, provided that the Utility satisfies the numerous conditions to the Utility's participation in the Wildfire Fund set forth in AB 1054 and that the Wildfire Fund has sufficient remaining funds.

However, the impact of AB 1054 on PG&E Corporation and the Utility is subject to numerous uncertainties, including the Utility's eligibility to access relief under the Wildfire Fund (which is dependent on, among other things, the Chapter 11 Cases being resolved by June 30, 2020 pursuant to a plan or similar document not subject to a stay and the Utility making its initial contribution thereto), the Utility's ability to demonstrate to the CPUC that wildfire-related costs paid from the Wildfire Fund were just and reasonable, and whether the benefits of participating in the Wildfire Fund ultimately outweigh its substantial costs. The Utility may not be able to finance its required contributions to the Wildfire Fund, which consist of an initial contribution of approximately \$4.8 billion and annual contributions of approximately \$193 million. Finally, even if the Utility satisfies the eligibility and other requirements set forth in AB 1054, for eligible claims against the Utility arising between July 12, 2019 and the Utility's emergence from Chapter 11, the availability of the Wildfire Fund to pay such claims will be capped at 40% of the amount of such claims.

- *The AB 1054 Deadline of June 30, 2020.* In the event that PG&E Corporation and the Utility are unable to confirm a plan of reorganization by June 30, 2020, the Utility will not be eligible to participate in the Wildfire Fund established under AB 1054. In that scenario, the Utility (i) would be unable to seek payment from the Wildfire Fund for liabilities arising from wildfires occurring after the July 12, 2019 effective date of AB 1054 (which in the case of pre-emergence wildfires, such as the 2019 Kincadee fire, would be limited to 40% of such liabilities), (ii) would not receive the benefit of the 20% disallowance cap contemplated by AB 1054, (iii) would not be required to make any contributions to the Wildfire Fund, (iv) in applications for cost recovery for wildfires occurring after July 12, 2019, would nevertheless be subject to review under the "just and reasonable" standard set forth in section 451.1 of the Public Utilities Code (i.e., the standard as modified by AB 1054) and (v) may still be eligible to obtain the annual safety certifications contemplated by section 8389 of the Public Utilities Code (which has implications for the burden of proof in a proceeding for cost recovery under section 451.1 of the Public Utilities Code).

- *The Uncertainties Regarding the Impact of Recent and Future Public Safety Power Shutoffs.* The Utility's wildfire risk mitigation initiatives involve substantial and ongoing expenditures and could involve other costs. The extent to which the Utility will be able to recover these expenditures and potential other costs through rates is uncertain. The PSPS program, one of the Utility's wildfire risk mitigation initiatives outlined in the 2019 Wildfire Mitigation Plan, has been the subject of significant scrutiny and criticism by various stakeholders, including the California Governor, the CPUC and the court overseeing the Utility's probation. On November 12, 2019, the CPUC issued an order to show cause why the Utility should not be sanctioned for alleged violations of law related to its communications with customers, coordination with local governments, and communications with critical facilities and public safety partners during the PSPS events in late 2019. On November 13, 2019, the CPUC instituted an OII to examine 2019 PSPS events carried out by California's investor-owned utilities and to consider enforcement actions. PG&E Corporation and the Utility cannot predict the timing and outcome of the OII and order to show cause, and PG&E Corporation and the Utility could be subject to additional investigations, regulatory proceedings or other enforcement actions as well as to litigation and claims by customers, which could result in fines, penalties, customer rebates or other payments. On October 29, 2019, PG&E Corporation and the Utility announced that they would issue credits to customers with respect to the October 9, 2019 PSPS event. PG&E Corporation and the Utility recorded a charge of \$86 million reflecting a one-time bill credit for customers impacted by the October 9, 2019 PSPS event in the fourth quarter of 2019. As of the date of this filing, PG&E Corporation and the Utility do not expect to issue any similar customer credits in connection with any other PSPS events (whether past events or in the future). If PG&E Corporation or the Utility were to issue any credits, rebates or other payments in connection with any other PSPS events (whether past events or in the future), the aggregate amount of any such credits, rebates, or other payments could be substantial and could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. In addition, the proposals of SB 378, which would impose penalties and other requirements on electric utility companies relating to PSPS events, could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. In addition to other requirements, SB 378 would impose on an electric utility company a civil penalty of at least \$250,000 per 50,000 affected customers for every hour that a PSPS event is in place, would require the CPUC to establish a procedure for customers, local governments and others to recover costs accrued during a PSPS event from the electric utility company, which cost recovery would be borne by shareholders, and would prohibit an electric utility company from billing customers for any nonfixed costs during a PSPS event. Further, the proposals of AB 1941 could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. AB 1941 proposes to suspend RPS requirements, determine the savings to electric utility companies from the suspension and direct those savings towards system hardening to mitigate wildfire risks and PSPS impacts, and would prohibit salary increases or bonuses to executive officers during the suspension of RPS requirements. In addition, the PSPS program has had an adverse impact on PG&E Corporation's and the Utility's reputation with customers, regulators and policymakers and future PSPS events may increase these negative perceptions. In addition to the 2019 PSPS events, the Utility expects that PSPS events will be necessary in 2020 and future years.
- *The Costs of Other Wildfire Mitigation Efforts.* In response to the wildfire threat facing California, PG&E Corporation and the Utility have taken aggressive steps to mitigate the threat of catastrophic wildfires, the spread of wildfires should they occur and the impact of PSPS events. PG&E Corporation and the Utility incurred approximately \$2.6 billion in connection with the 2019 WMP, and expect to incur approximately \$2.6 billion in 2020 in connection with its 2020-2022 WMP. Although the Utility may seek cost recovery for certain of these expenses and capital expenditures, the Utility has agreed not to seek rate recovery of certain wildfire-related expenses and capital expenditures in future applications in the amount of \$1.625 billion.

While PG&E Corporation and the Utility are committed to taking aggressive wildfire mitigation actions, if additional requirements are imposed that go beyond current expectations, such requirements could have a substantial impact on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows. The Court in the Utility's probation proceeding in connection with the Utility's federal criminal proceeding has imposed numerous obligations on the Utility related to its business and operations, including full compliance with all applicable laws concerning vegetation management and clearance requirements, submission to regular, unannounced inspections by the Monitor of the Utility's vegetation management efforts and equipment inspection, enhancement and repair efforts and the maintenance of traceable, verifiable, accurate and complete records of the Utility's vegetation management efforts and monthly reports to the Monitor on the status and progress of vegetation management efforts. On January 16, 2020, the Court proposed to require the Utility to materially expand its vegetation management program, including through the hiring of additional employees. PG&E Corporation and the Utility also face uncertainties in connection with the amount and recoverability of enhanced and accelerated inspection costs of the Utility's electric transmission and distribution assets (the Utility incurred costs of \$773 million for enhanced and accelerated inspection and repair costs for the year ended December 31, 2019). (See "Order Instituting Investigation into the 2017 Northern California Wildfires and the 2018 Camp Fire" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

- *The Outcome of Other Enforcement, Litigation, and Regulatory Matters, and Other Government Proposals.* The Utility's financial results may continue to be impacted by the outcome of other current and future enforcement, litigation (to the extent not stayed as a result of the Chapter 11 Cases), and regulatory matters, including those described above as well as the outcome of the locate and mark OII, the outcome of the safety culture OII, the sentencing terms of the Utility's January 27, 2017 federal criminal conviction, including the oversight of the Utility's probation and the potential recommendations by the Monitor, and potential penalties in connection with the Utility's safety and other self-reports. (See Note 15 of the Notes to the Consolidated Financial Statements in Item 8.) In addition, the Utility's business profile and financial results could be impacted by the outcome of recent calls for municipalization of part or all of the Utility's businesses, offers by municipalities and other public entities to acquire the electric assets of the Utility within their respective jurisdictions and calls for state intervention, including the possibility of a state takeover of the Utility. PG&E Corporation and the Utility cannot predict the nature, occurrence, timing or extent of any such scenario, and there can be no assurance that any such scenario would not involve significant ownership or management changes to PG&E Corporation or the Utility, including by the state of California.
- *The Timing and Outcome of Ratemaking Proceedings.* The Utility's financial results may be impacted by the timing and outcome of its 2020 GRC, FERC TO18, TO19, and TO20 rate cases, and its ability to timely recover costs not currently in rates, including costs already incurred and future costs tracked in its CEMA, WEMA, FHPMA, WMPMA, and FRMMA that are incurred in connection with the Utility's 2019 Wildfire Mitigation Plan, the amount of which is approximately \$2.6 billion. The outcome of regulatory proceedings can be affected by many factors, including intervening parties' testimonies, potential rate impacts, the Utility's reputation, the regulatory and political environments, and other factors. (See Notes 4 and 15 of the Notes to the Consolidated Financial Statements in Item 8 and "Regulatory Matters" below.)
- *The Utility's Compliance with the CPUC Capital Structure.* The CPUC's capital structure decisions require the Utility to maintain a 52% equity ratio on average over the period that the authorized capital structure is in place, and to file an application for a waiver to the capital structure condition if an adverse financial event reduces its equity ratio by 1% or more. Due to the net charges recorded in connection with the 2018 Camp fire and the 2017 Northern California wildfires as of December 31, 2018, the Utility submitted to the CPUC an application for a waiver of the capital structure condition on February 28, 2019. The waiver is subject to CPUC approval. The CPUC's decisions state that the Utility shall not be considered in violation of these conditions during the period the waiver application is pending resolution. The Utility is unable to predict the timing and outcome of its waiver application. (See "Regulatory Matters" below.)

For more information about the risks that could materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows, or that could cause future results to differ from historical results, see "Item 1A. Risk Factors" in this 2019 Form 10-K. In addition, this 2019 Form 10-K contains forward-looking statements that are necessarily subject to various risks and uncertainties. These statements reflect management's judgment and opinions that are based on current estimates, expectations, and projections about future events and assumptions regarding these events and management's knowledge of facts as of the date of this report. See the section entitled "Forward-Looking Statements" below for a list of some of the factors that may cause actual results to differ materially. PG&E Corporation and the Utility are unable to predict all the factors that may affect future results and do not undertake an obligation to update forward-looking statements, whether in response to new information, future events, or otherwise.

## RESULTS OF OPERATIONS

The following discussion presents PG&E Corporation's and the Utility's operating results for 2019, 2018, and 2017. See "Key Factors Affecting Financial Results" above for further discussion about factors that could affect future results of operations.

### PG&E Corporation

The consolidated results of operations consist primarily of results related to the Utility, which are discussed in the "Utility" section below. The following table provides a summary of net income (loss) available for common shareholders:

(in millions)	2019	2018	2017
Consolidated Total	\$ (7,656)	\$ (6,851)	\$ 1,646
PG&E Corporation	(20)	(19)	(31)
Utility	\$ (7,636)	\$ (6,832)	\$ 1,677

PG&E Corporation's net income (loss) increased in 2019, as compared to 2018, primarily due to the impacts of the Chapter 11 Cases in 2019, with no corresponding activities in 2018.

PG&E Corporation's net income (loss) decreased in 2018, as compared to 2017, primarily due to the impact of the San Bruno Derivative Litigation in 2017 with no corresponding activity in 2018, partially offset by additional income taxes in 2017.

### Utility

The table below shows certain items from the Utility's Consolidated Statements of Income for 2019, 2018, and 2017. The table separately identifies the revenues and costs that impacted earnings from those that did not impact earnings. In general, expenses the Utility is authorized to pass through directly to customers (such as costs to purchase electricity and natural gas, as well as costs to fund public purpose programs) and the corresponding amount of revenues collected to recover those pass-through costs, do not impact earnings. In addition, expenses that have been specifically authorized (such as energy procurement costs) and the corresponding revenues the Utility is authorized to collect to recover such costs, do not impact earnings.



Revenues that impact earnings are primarily those that have been authorized by the CPUC and the FERC to recover the Utility's costs to own and operate its assets and to provide the Utility an opportunity to earn its authorized rate of return on rate base. Expenses that impact earnings are primarily those that the Utility incurs to own and operate its assets.

(in millions)	2019			2018			2017		
	Revenues and Costs:			Revenues and Costs:			Revenues and Costs:		
	That Impacted Earnings	That Did Not Impact Earnings	Total Utility	That Impacted Earnings	That Did Not Impact Earnings	Total Utility	That Impacted Earnings	That Did Not Impact Earnings	Total Utility
Electric operating revenues	\$ 8,634	\$ 4,106	\$ 12,740	\$ 7,859	\$ 4,854	\$ 12,713	7,897	5,230	13,127
Natural gas operating revenues	3,259	1,130	4,389	3,046	1,001	4,047	2,969	1,042	4,011
<b>Total operating revenues</b>	<b>11,893</b>	<b>5,236</b>	<b>17,129</b>	<b>10,905</b>	<b>5,855</b>	<b>16,760</b>	<b>10,866</b>	<b>6,272</b>	<b>17,138</b>
Cost of electricity	—	3,095	3,095	—	3,828	3,828	—	4,309	4,309
Cost of natural gas	—	734	734	—	671	671	—	746	746
Operating and maintenance	7,167	1,583	8,750	5,475	1,678	7,153	5,112	1,271	6,383
Wildfire-related claims, net of insurance recoveries	11,435	—	11,435	11,771	—	11,771	—	—	—
Depreciation, amortization, and decommissioning	3,233	—	3,233	3,036	—	3,036	2,854	—	2,854
<b>Total operating expenses</b>	<b>21,835</b>	<b>5,412</b>	<b>27,247</b>	<b>20,282</b>	<b>6,177</b>	<b>26,459</b>	<b>7,966</b>	<b>6,326</b>	<b>14,292</b>
<b>Operating income (loss)</b>	<b>(9,942)</b>	<b>(176)</b>	<b>(10,118)</b>	<b>(9,377)</b>	<b>(322)</b>	<b>(9,699)</b>	<b>2,900</b>	<b>(54)</b>	<b>2,846</b>
Interest income	82	—	82	74	—	74	30	—	30
Interest expense	(912)	—	(912)	(914)	—	(914)	(877)	—	(877)
Other income, net	63	176	239	104	322	426	65	54	119
Reorganization items	(320)	—	(320)	—	—	—	—	—	—
<b>Income (loss) before income taxes</b>	<b>(11,029)</b>	<b>—</b>	<b>(11,029)</b>	<b>(10,113)</b>	<b>—</b>	<b>(10,113)</b>	<b>2,118</b>	<b>—</b>	<b>2,118</b>
Income tax provision (benefit) <sup>(1)</sup>			(3,407)			(3,295)			427
<b>Net income (loss)</b>			<b>(7,622)</b>			<b>(6,818)</b>			<b>1,691</b>
Preferred stock dividend requirement <sup>(1)</sup>			14			14			14
<b>Income (Loss) Available for Common Stock</b>			<b>\$ (7,636)</b>			<b>\$ (6,832)</b>			<b>\$ 1,677</b>

<sup>(1)</sup> These items impacted earnings.

### Utility Revenues and Costs that Impacted Earnings

The following discussion presents the Utility's operating results for 2019, 2018, and 2017, focusing on revenues and expenses that impacted earnings for these periods.

#### Operating Revenues

The Utility's electric and natural gas operating revenues that impacted earnings increased \$988 million, or 9%, in 2019 compared to 2018, primarily due to increased base revenues authorized in the 2017 GRC, 2019 GT&S, and TO20 rate cases.

The Utility's electric and natural gas operating revenues that impacted earnings increased \$39 million in 2018 compared to 2017, primarily due to increased base revenues authorized in the 2017 GRC, partially offset by tax benefits resulting from the Tax Act expected to be returned to customers.

#### Operating and Maintenance

The Utility's operating and maintenance expenses that impacted earnings increased \$1,692 million, or 31%, in 2019 compared to 2018, primarily due to \$773 million in costs related to enhanced and accelerated inspections and repairs of transmission and distribution assets, with no similar charges in the same period in 2018. Additionally, the Utility recorded \$398 million in 2019 related to the Wildfires OII settlement, with no similar charge in the same period in 2018. Also, the Utility recorded \$237 million in disallowed costs for previously incurred capital expenditures in excess of adopted amounts in the 2019 GT&S rate case, with no similar charges in 2018.

The Utility's operating and maintenance expenses that impacted earnings increased \$363 million, or 7%, in 2018 compared to 2017, primarily due to \$209 million for clean-up and repair costs relating to the 2017 Northern California wildfires and the 2018 Camp fire, as compared to \$17 million relating to the 2017 Northern California wildfires charged in 2017. Also, the Utility recorded charges of \$187 million in additional legal and other costs relating to the 2017 Northern California wildfires and the 2018 Camp fire (the Utility recorded \$205 million for legal and other costs relating to the 2017 Northern California wildfires and the 2018 Camp fire in 2018, as compared to \$18 million in 2017). The Utility also recorded charges of \$121 million reflecting the additional write off of insurance premiums for single event coverage policies (the Utility recorded \$185 million in 2018 for the write off of insurance premiums, as compared to \$64 million in 2017). These increases were partially offset by a \$38 million reduction to the estimated disallowance for gas-related capital costs that were expected to exceed authorized amounts in 2018, compared to a \$47 million disallowance recorded in 2017 related to the Diablo Canyon settlement. Additionally, the increases were offset by a decrease in legal and other costs relating to the 2015 Butte fire of \$20 million in 2018 compared to 2017 (the Utility recorded \$40 million for legal and other costs relating to the 2015 Butte fire in 2018 as compared to \$60 million in 2017).

#### ***Wildfire-related claims, net of insurance recoveries***

Costs related to wildfires that impacted earnings decreased by \$336 million in 2019 compared to 2018. The Utility recognized charges of \$11.4 billion and \$11.8 billion in 2019 and 2018, respectively, for wildfire-related claims, net of probable insurance recoveries, primarily associated with the 2018 Camp fire and 2017 Northern California wildfires.

Costs related to wildfires that impacted earnings increased by \$11.8 billion in 2018 compared to 2017. In 2018, the Utility recognized charges of \$14 billion, offset by probable insurance recoveries of \$2.2 billion associated with the 2018 Camp fire and 2017 Northern California wildfires. In 2017, the Utility recognized a charge of \$350 million, offset by probable insurance recoveries of \$350 million related to the 2015 Butte fire.

#### ***Depreciation, Amortization, and Decommissioning***

The Utility's depreciation, amortization, and decommissioning expenses increased by \$197 million, or 6%, in 2019 compared to 2018, primarily due to capital additions. The Utility's depreciation, amortization, and decommissioning expenses increased by \$182 million, or 6%, in 2018 compared to 2017, primarily due to capital additions.

#### ***Interest Income***

The Utility's interest income increased by \$8 million, or 11%, in 2019 compared to 2018. The Utility's interest income increased by \$44 million, or 147%, in 2018 as compared to 2017. The Utility's interest income is primarily affected by changes in regulatory balancing accounts and changes in interest rates.

#### ***Interest Expense***

The Utility's interest expense decreased by \$2 million, or 0%, in 2019 compared to 2018. Beginning January 29, 2019 in connection with the Chapter 11 Cases, the Utility ceased recording interest on outstanding pre-petition debt subject to compromise. In the fourth quarter of 2019, following the Bankruptcy Court's December 30, 2019 memorandum decision in which it ruled that the UCC is entitled to post-petition interest at the Federal Judgment Rate of 2.59%, and pursuant to the terms of the Noteholder RSA, the Utility concluded that interest was probable of being an allowed claim and resumed recording interest on pre-petition debt subject to compromise. The Utility's interest expense increased by \$37 million, or 4%, in 2018 compared to 2017, primarily due to the issuance of long-term debt.

#### ***Other Income, Net***

The Utility's other income, net decreased by \$41 million, or 39%, in 2019 compared to 2018, primarily due to a decrease in AFUDC due to equity ratio decreases resulting from the Chapter 11 filing and wildfire loss accruals. The Utility's other income, net increased by \$39 million, or 60%, in 2018 as compared to 2017, primarily due to an increase in AFUDC as the average balance of construction work in progress was higher in 2018 as compared to 2017.

#### ***Reorganization items, net***

Reorganization items, net increased by \$320 million in 2019 compared to 2018, due to \$370 million of expenses directly associated with the Utility's Chapter 11 filing, partially offset by interest income of \$50 million, with no corresponding charges in 2018.

## Income Tax Provision

The Utility's income tax benefit increased \$112 million in 2019 compared to 2018, primarily due to higher pre-tax losses.

The Utility's income tax provision decreased \$3.7 billion in 2018 compared to 2017. The decrease in the income tax provision and increase in the effective tax rate were primarily the result of pre-tax losses in 2018 versus pre-tax income in 2017, partially offset by a decrease in the corporate income tax rate from 35% to 21% as a result of the Tax Act.

The following table reconciles the income tax expense at the federal statutory rate to the income tax provision:

	2019	2018	2017
Federal statutory income tax rate	21.0 %	21.0 %	35.0 %
Increase (decrease) in income tax rate resulting from:			
State income tax (net of federal benefit) <sup>(1)</sup>	7.5 %	7.9 %	1.6 %
Effect of regulatory treatment of fixed asset differences <sup>(2)</sup>	2.8 %	3.6 %	(16.8) %
Tax credits	0.1 %	0.1 %	(1.1) %
Benefit of loss carryback	— %	— %	— %
Compensation Related <sup>(3)</sup>	— %	(0.1) %	(0.9) %
Tax Reform Adjustment <sup>(4)</sup>	— %	0.1 %	3.0 %
Other, net <sup>(5)</sup>	(0.5) %	— %	(0.7) %
<b>Effective tax rate</b>	<b>30.9 %</b>	<b>32.6 %</b>	<b>20.1 %</b>

<sup>(1)</sup> Includes the effect of state flow-through ratemaking treatment.

<sup>(2)</sup> Includes the effect of federal flow-through ratemaking treatment for certain property-related costs. For these temporary tax differences, PG&E Corporation and the Utility recognize the deferred tax impact in the current period and record offsetting regulatory assets and liabilities. Therefore, PG&E Corporation's and the Utility's effective tax rates are impacted as these differences arise and reverse. PG&E Corporation and the Utility recognize such differences as regulatory assets or liabilities as it is probable that these amounts will be recovered from or returned to customers in future rates. In 2019 and 2018, the amounts also reflect the impact of the amortization of excess deferred tax benefits to be refunded to customers as a result of the Tax Act passed in December 2017.

<sup>(3)</sup> Primarily represents adjustments to compensation as a result of the enactment of the Tax Act.

<sup>(4)</sup> Represents adjustments to deferred tax balances under Staff Accounting Bulletin No. 118 reflecting the tax rate reduction required by the Tax Act.

<sup>(5)</sup> These amounts primarily represent the impact of non-tax deductible bankruptcy costs in 2019 and tax audit settlements in 2017.

## Utility Revenues and Costs that did not Impact Earnings

Fluctuations in revenues that did not impact earnings are primarily driven by procurement costs. See below for more information.

### Cost of Electricity

The Utility's cost of electricity includes the cost of power purchased from third parties (including renewable energy resources), transmission, fuel used in its own generation facilities, fuel supplied to other facilities under power purchase agreements, costs to comply with California's cap-and-trade program, and realized gains and losses on price risk management activities. Cost of electricity also includes net sales (Utility owned generation and third parties) in the CAISO electricity markets. (See Note 10 of the Notes to the Consolidated Financial Statements in Item 8.) The Utility's total purchased power is driven by customer demand, net CAISO electricity market activities (purchases or sales), the availability of the Utility's own generation facilities (including Diablo Canyon and its hydroelectric plants), and the cost-effectiveness of each source of electricity.

(in millions)	2019	2018	2017
Cost of purchased power, net <sup>(1)</sup>	\$ 2,809	\$ 3,531	\$ 4,039
Fuel used in own generation facilities	286	297	270
<b>Total cost of electricity</b>	<b>\$ 3,095</b>	<b>\$ 3,828</b>	<b>\$ 4,309</b>

<sup>(1)</sup> Cost of purchased power, net decreased for the year ended December 31, 2019, compared to 2018, primarily due to lower Utility electric customer demand, driven by customer departures to CCAs and DA providers, and by higher net sales in the CAISO electricity markets.

### *Cost of Natural Gas*

The Utility's cost of natural gas includes the costs of procurement, storage and transportation of natural gas, costs to comply with California's cap-and-trade program, and realized gains and losses on price risk management activities. (See Note 10 of the Notes to the Consolidated Financial Statements in Item 8.) The Utility's cost of natural gas is impacted by the market price of natural gas, changes in the cost of storage and transportation, and changes in customer demand.

<b>(in millions)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cost of natural gas sold	\$ 622	\$ 561	\$ 627
Transportation cost of natural gas sold	112	110	119
<b>Total cost of natural gas</b>	<b>\$ 734</b>	<b>\$ 671</b>	<b>\$ 746</b>

### *Operating and Maintenance Expenses*

The Utility's operating expenses that did not impact earnings include certain costs that the Utility is authorized to recover as incurred such as pension contributions and public purpose programs costs. If the Utility were to spend more than authorized amounts, these expenses could have an impact to earnings. For 2019, 2018, and 2017, no material amounts were incurred above authorized amounts.

### *Other Income, Net*

The Utility's other income, net that did not impact earnings includes pension and other post-retirement benefit costs that fluctuate primarily from market and interest rate changes.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Overview**

On the Petition Date, PG&E Corporation and the Utility filed voluntary petitions for relief under Chapter 11 in the Bankruptcy Court. In connection with the Chapter 11 Cases, PG&E Corporation and the Utility entered into the DIP Credit Agreement. The DIP Credit Agreement provides for \$5.5 billion in senior secured superpriority debtor in possession credit facilities in the form of (i) a revolving credit facility in an aggregate amount of \$3.5 billion (the "DIP Revolving Facility"), including a \$1.5 billion letter of credit subfacility, (ii) a term loan facility in an aggregate principal amount of \$1.5 billion (the "DIP Initial Term Loan Facility") and (iii) a delayed draw term loan facility in an aggregate principal amount of \$500 million (the "DIP Delayed Draw Term Loan Facility," together with the DIP Revolving Facility and the DIP Initial Term Loan Facility, the "DIP Facilities"), subject to the terms and conditions set forth therein. On March 27, 2019, the Bankruptcy Court approved the DIP Facilities on a final basis, authorizing the Utility to borrow up to the remainder of the DIP Revolving Facility (including the remainder of the \$1.5 billion letter of credit subfacility), the DIP Initial Term Loan Facility and the DIP Delayed Draw Term Loan Facility, in each case subject to the terms and conditions of the DIP Credit Agreement. (For more information on the DIP Credit Agreement, see "DIP Credit Agreement" below and Note 5 of the Notes to the Consolidated Financial Statements in Item 8.)

For the duration of the Chapter 11 Cases, the Utility's ability to fund operations, finance capital expenditures and pay other ongoing expenses and make distributions to PG&E Corporation will primarily depend on the levels of its operating cash flows and availability under the DIP Credit Agreement. The Utility expects that the DIP Facilities will provide it with sufficient liquidity to fund its ongoing operations, including its ability to provide safe service to customers, during the Chapter 11 Cases. For the duration of the Chapter 11 Cases, PG&E Corporation's ability to fund operations and pay other ongoing expenses will primarily depend on cash on hand and intercompany transfers. In the event that PG&E Corporation's and the Utility's capital needs increase materially due to unexpected events or transactions, additional financing outside of the DIP Facilities may be required, which would be subject to approval by the Bankruptcy Court. Such approval is not assured. For more information on PG&E Corporation's and the Utility's material commitments for capital expenditures, see "Regulatory Matters" below.

During 2018 and January 2019, PG&E Corporation's and the Utility's credit ratings were subject to multiple downgrades by Fitch, S&P and Moody's including to ratings below investment grade and ultimately to "D" or low "C" ratings. In the first quarter of 2019, Moody's and Fitch withdrew each of their credit ratings for PG&E Corporation and the Utility as a result of the Chapter 11 Cases. As a result of PG&E Corporation's and the Utility's credit ratings ceasing to be rated at investment grade, the Utility has been required to post collateral under its commodity purchase agreements and certain other obligations. In addition, PG&E Corporation and the Utility may be required to post additional collateral in respect of certain other obligations, including workers' compensation and environmental remediation obligations. (See Notes 10 and 15 of the Notes to the Consolidated Financial Statements in Item 8.)

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and short-term, highly liquid investments with original maturities of three months or less. PG&E Corporation and the Utility maintain separate bank accounts and primarily invest their cash in money market funds.

### **Financial Resources**

#### ***Acceleration of Pre-Petition Debt Obligations***

The commencement of the Chapter 11 Cases constituted an event of default or termination event with respect to, and caused an automatic and immediate acceleration of, the Accelerated Direct Financial Obligations. Accordingly, as a result of the commencement of the Chapter 11 Cases, the principal amount of the Accelerated Direct Financial Obligations, together with accrued interest thereon, and in case of certain indebtedness, premium, if any, thereon, immediately became due and payable. However, any efforts to enforce such payment obligations are automatically stayed as of the Petition Date, and are subject to the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The material Accelerated Direct Financial Obligations include the Utility's outstanding senior notes, agreements in respect of certain series of pollution control bonds, and PG&E Corporation's term loan facility, as well as short-term borrowings under PG&E Corporation's and the Utility's revolving credit facilities and the Utility's term loan facility disclosed in Note 5 of the Notes to the Consolidated Financial Statements in Item 8.

#### ***DIP Credit Agreement***

Borrowings under the DIP Facilities are senior secured obligations of the Utility, secured by substantially all of the Utility's assets and entitled to superpriority administrative expense claim status in the Utility's Chapter 11 Case. The Utility's obligations under the DIP Facilities are guaranteed by PG&E Corporation, and such guarantee is a senior secured obligation of PG&E Corporation, secured by substantially all of PG&E Corporation's assets and entitled to superpriority administrative expense claim status in PG&E Corporation's Chapter 11 Case. The DIP Facilities will mature on December 31, 2020, subject to the Utility's option to extend the maturity to December 31, 2021 if certain terms and conditions are satisfied, including the payment of an extension fee. The Utility paid customary fees and expenses in connection with obtaining the DIP Facilities.

On February 1, 2019, the Utility borrowed \$350 million under the DIP Revolving Facility. On April 3, 2019, the Utility borrowed \$1.5 billion under the DIP Initial Term Loan Facility and received the proceeds of such borrowing, net of original issue discount and repayment of the \$350 million in outstanding borrowings under the DIP Revolving Facility. The DIP Initial Term Loan Facility matures on December 31, 2020 (subject to an extension option described further below) and bears interest at a spread of 225 basis points over LIBOR.

On January 29, 2020, the Utility borrowed \$500 million under the DIP Delayed Draw Term Loan Facility. As of February 13, 2020, the Utility had outstanding borrowings of \$1.5 billion under the DIP Initial Term Loan Facility, \$500 million under the DIP Delayed Draw Term Loan Facility, and \$751 million in face amount of letters of credit outstanding under the DIP Revolving Facility. As of February 13, 2020, there were undrawn commitments of \$2.7 billion on the DIP Revolving Facility.

### ***Debt Commitment Letters***

On October 11, 2019, PG&E Corporation and the Utility entered into the Debt Commitment Letters with the Commitment Parties, which were subsequently amended on November 18, 2019, December 20, 2019, January 30, 2020, and February 14, 2020, pursuant to which the Commitment Parties committed to provide \$10.825 billion in bridge financing in the form of (a) a \$5.825 billion senior secured bridge loan facility (the “OpCo Facility”) with the Utility or any domestic entity formed to hold all of the assets of the Utility upon emergence from bankruptcy as borrower thereunder and (b) a \$5 billion senior unsecured bridge loan facility (together with the OpCo Facility, the “Facilities”) with PG&E Corporation or any domestic entity formed to hold all of the assets of PG&E Corporation upon emergence from bankruptcy as borrower thereunder, subject to the terms and conditions set forth therein. The commitments under the Debt Commitment Letters will expire on August 29, 2020, unless terminated earlier pursuant to the termination rights set forth in the Debt Commitment Letters. PG&E Corporation and the Utility will pay customary fees and expenses in connection with obtaining the Facilities. If the entire \$10.825 billion of bridge commitments remain outstanding as of June 30, 2020, the aggregate commitment fees payable by PG&E Corporation and the Utility would be approximately \$75 million.

In connection with the anticipated funding for the Proposed Plan and the anticipated amount of debt and equity to be used for funding thereunder, on February 14, 2020, the Debt Commitment Letters were amended to, among other things, (1) adjust the maximum amount of any roll-over, “take-back” or reinstated debt permitted under the Facilities from \$30.0 billion to \$33.35 billion at the Utility and from \$7.0 billion to \$5.0 billion at PG&E Corporation, (2) reduce the amount of proceeds from the issuance of equity that PG&E Corporation has to receive as a condition to funding from \$12.0 billion to \$9.0 billion, and (3) increase the amount of proceeds from the issuance of debt securities or other debt for borrowed money as a condition to funding from \$2.0 billion at PG&E Corporation to \$6.0 billion at the Utility.

In lieu of entering into the Facilities, PG&E Corporation and the Utility intend to obtain permanent financing on or prior to emergence from bankruptcy in the form of bank facilities, debt securities or a combination of the foregoing. (See “Anticipated Sources and Uses for Chapter 11 Emergence and Related Financings” below and “Plan of Reorganization, RSAs, Equity Backstop Commitments and Debt Commitment Letters” in Note 2 of the Notes to the Consolidated Financial Statements in Item 8.)

On October 23, 2019, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court seeking approval of the Debt Commitment Letters and certain related matters. The hearing on PG&E Corporation’s and the Utility’s motion to approve the Backstop Commitment Letters, the Debt Commitment Letters and certain related matters is scheduled for February 26, 2020.

### ***Equity Financings***

There were no issuances under the PG&E Corporation February 2017 equity distribution agreement for the year ended December 31, 2019.

PG&E Corporation issued 8.9 million shares of common stock under the PG&E Corporation 401(k) plan and share-based compensation plans, for cash proceeds of \$85 million, during the year ended December 31, 2019. The proceeds from these sales were used for general corporate purposes. Beginning January 1, 2019, PG&E Corporation changed its default matching contributions under its 401(k) plan from PG&E Corporation common stock to cash. Beginning in March 2019, at PG&E Corporation’s directive, the 401(k) plan trustee began purchasing new shares in the PG&E Corporation common stock fund on the open market rather than directly from PG&E Corporation.

PG&E Corporation expects to issue new shares of PG&E Corporation common stock for up to \$9.0 billion of proceeds at or prior to emergence from Chapter 11 in order to finance the Proposed Plan. The structure, terms and conditions of any such equity issuance are expected to be determined by PG&E Corporation and the Utility at a later time in the Chapter 11 process, subject to the terms and conditions of the Backstop Commitment Letters. There can be no assurance that any such equity offering would be successful. PG&E Corporation has obtained the Backstop Commitment Letters providing for equity funding of up to \$12.0 billion to finance the transactions contemplated by the Proposed Plan. In the event that new equity offerings do not raise at least \$9.0 billion of proceeds, or if additional capital is required, PG&E Corporation may draw on the Backstop Commitments for equity funding of up to \$12.0 billion, subject to satisfaction or waiver by the Backstop Parties of the conditions set forth therein. (See “Anticipated Sources and Uses for Chapter 11 Emergence and Related Financings” below and “Plan of Reorganization, RSAs, Equity Backstop Commitments and Debt Commitment Letters” in Note 2 of the Notes to the Consolidated Financial Statements in Item 8.) The hearing on PG&E Corporation’s and the Utility’s motion to approve the Backstop Commitment Letters and certain related matters is scheduled for February 26, 2020.

## Anticipated Sources and Uses for Chapter 11 Emergence and Related Financings

PG&E Corporation and the Utility expect that the funding for the Proposed Plan will consist of both new debt and equity for both PG&E Corporation and the Utility as well as other sources of funding totaling approximately \$58 billion.

### Expected Sources

The expected sources of such funds are summarized in the following table:

(in millions)

Equity issuance for cash <sup>(1)</sup>	\$	9,000
Equity issued for Fire Victim Trust <sup>(2)</sup>		6,750
New PG&E Corporation Debt <sup>(3)</sup>		4,750
Reinstated Utility Debt <sup>(4)</sup>		9,575
New Utility Debt <sup>(5)</sup>		23,775
Insurance Proceeds <sup>(6)</sup>		2,200
Cash at Emergence <sup>(7)</sup>		1,600
<b>Total Sources</b>	<b>\$</b>	<b>57,650</b>

<sup>(1)</sup> Equity issuance for cash represents expected proceeds from the sale of shares of common stock of PG&E Corporation through one or more public offerings, private offerings, a rights offering or drawings under the Backstop Commitments. The terms of any such issuance are governed by the terms of the Backstop Commitment Letters. Although the Proposed Plan contemplates \$9.0 billion of equity, the Backstop Commitment Letters permit up to \$12.0 billion of equity to be drawn from the Backstop Commitments. (See “Plan of Reorganization, RSAs, Equity Backstop Commitments and Debt Commitment Letters” in Note 2 of the Notes to the Consolidated Financial Statements in Item 8.)

<sup>(2)</sup> Equity issued to Fire Victim Trust represents new shares of common stock of PG&E Corporation to be issued to the Fire Victim Trust as provided in the Proposed Plan. (See “Restructuring Support Agreement with the TCC” in Note 14 of the Notes to the Consolidated Financial Statements in Item 8.)

<sup>(3)</sup> New PG&E Corporation Debt represents one or more issuances of new debt securities or bank debt of PG&E Corporation.

<sup>(4)</sup> Reinstated Utility Debt represents pre-petition debt of the Utility that is expected to be reinstated on the Effective Date pursuant to the Proposed Plan. (See “Restructuring Support Agreement with the Ad Hoc Noteholder Committee” in Note 2 of the Notes to the Consolidated Financial Statements in Item 8.)

<sup>(5)</sup> New Utility Debt represents one or more issuances of new debt securities or bank debt of the Utility, expected to be comprised of (i) \$6.2 billion of New Utility Long-Term Notes to be issued to holders of certain pre-petition senior notes of the Utility pursuant to the Proposed Plan, (ii) \$1.75 billion of New Utility Short-Term Notes to be issued to holders of certain pre-petition senior notes of the Utility pursuant to the Proposed Plan, (iii) \$3.9 billion of Utility Funded Debt Exchange Notes to be issued to holders of certain pre-petition indebtedness of the Utility pursuant to the Proposed Plan and (iv) \$11.925 billion of new debt securities or bank debt of the Utility to be issued to third parties for cash on or prior to the Effective Date. As described below, \$6.0 billion of such new debt securities or bank debt is expected to be repaid with the proceeds of a new securitization transaction after the Effective Date. (See “Restructuring Support Agreement with the Ad Hoc Noteholder Committee” in Note 2 of the Notes to the Consolidated Financial Statements in Item 8.)

<sup>(6)</sup> Insurance Proceeds represents proceeds of PG&E Corporation’s and the Utility’s liability insurance policies for wildfire events. (See “Insurance” in Note 14 of the Notes to the Consolidated Financial Statements in Item 8.)

<sup>(7)</sup> Cash at Emergence represents projected cash on hand at PG&E Corporation and the Utility as of the Effective Date.

### Expected Uses

The expected uses of funds under the Proposed Plan are summarized in the following table:

(in millions)

Fire Claims <sup>(1)</sup>	\$	24,150
Contributions to Wildfire Fund <sup>(2)</sup>		5,000
Debtor-In-Possession Financing <sup>(3)</sup>		2,000
Pre-petition Debt <sup>(4)</sup>		22,180
Trade Claims and Other Costs <sup>(5)</sup>		2,300
Accrued Interest <sup>(6)</sup>		1,270
Cash <sup>(7)</sup>		750
<b>Total Uses</b>	<b>\$</b>	<b>57,650</b>

<sup>(1)</sup> Fire Claims (at Emergence) represents compensation to be paid on the Effective Date to holders of wildfire-related claims to resolve their claims pursuant to the Proposed Plan. The total compensation of \$24.15 billion consists of (i) \$12.15 billion to be paid in cash and stock to the Fire Victim Trust, (ii) \$11.0 billion to be paid to holders of subrogated insurance claims and (iii) \$1.0 billion to be paid to the Supporting Public Entities. (See “Plan Support Agreements with Public Entities”, “Restructuring Support Agreement with Holders of Subrogation Claims” and “Restructuring Support Agreement with the TCC” in Note 14 of the Notes to the Consolidated Financial Statements in Item 8.)

- <sup>(2)</sup> Contribution to Wildfire Fund represents required payments under AB 1054 for the Utility to participate in the Wildfire Fund. These payments are comprised of an initial contribution of approximately \$4.8 billion and annual contributions of approximately \$193 million. (See “Wildfire Fund under AB 1054” in Note 14 of the Notes to the Consolidated Financial Statements in Item 8.)
- <sup>(3)</sup> Debtor-In-Possession Financing represents the projected amount that will be required in order to repay all amounts outstanding under the DIP Credit Agreement on the Effective Date.
- <sup>(4)</sup> Pre-petition Debt represents the aggregate principal amount of pre-petition debt of PG&E Corporation or the Utility to be repaid or refinanced on the Effective Date, consisting of (i) \$650 million of pre-petition debt of PG&E Corporation to be repaid in cash pursuant to the Proposed Plan, (ii) \$6.2 billion of pre-petition senior notes of the Utility to be exchanged for New Utility Long-Term Notes pursuant to the Proposed Plan, (iii) \$1.75 billion of pre-petition senior notes of the Utility to be exchanged for New Utility Short-Term Notes pursuant to the Proposed Plan and (iv) \$3.9 billion of pre-petition indebtedness of the Utility to be exchanged for Utility Funded Debt Exchange Notes pursuant to the Proposed Plan, (v) \$9.575 billion of pre-petition senior notes of the Utility to be reinstated pursuant to the Proposed Plan and (vi) \$100 million of Pollution Control Bonds (Series 2008F and 2010E) to be repaid in cash pursuant to the Proposed Plan. (See “Restructuring Support Agreement with the Ad Hoc Noteholder Committee” in Note 2 of the Notes to the Consolidated Financial Statements in Item 8.)
- <sup>(5)</sup> Trade Claims and Other Costs represents estimated trade claims and other costs, including trade payables and transaction fees, to be paid by PG&E Corporation or the Utility on the Effective Date.
- <sup>(6)</sup> Accrued Interest represents the estimated amount of accrued interest that will be paid by PG&E Corporation or the Utility on the Effective Date.
- <sup>(7)</sup> Cash represents \$750 million of cash remaining on the balance sheet as of the Effective Date.

The table above does not include \$1.35 billion of payments to be made to the Fire Victim Trust after the Effective Date of the Proposed Plan pursuant to a tax benefit monetization agreement. Pursuant to this tax benefit monetization agreement, PG&E Corporation and the Utility will use the first \$1.35 billion of wildfire-related tax net operating losses (the “Wildfire NOLs”) in order to make payments to the Fire Victim Trust, which payments are expected to be \$650 million on or before January 15, 2021 and \$700 million on or before January 15, 2022. In addition, the table above does not include any expected post-Effective Date securitization transaction. As described below under the heading “Potential Securitization Transaction,” the economic benefits of the Wildfire NOLs in excess of the first \$1.35 billion would be used to support the expected post-Effective Date securitization transaction.

#### *Potential Securitization Transaction*

PG&E Corporation and the Utility expect to file an application with the CPUC seeking authorization for a post-emergence \$7.0 billion securitization transaction that is rate-neutral, on average, to customers, with the proceeds used to refinance \$6.0 billion of new Utility debt and fund a portion of the \$1.35 billion payment due to the Fire Victim Trust post-Effective Date. In this context, a securitization refers to a financing transaction where the Utility or a special purpose financing vehicle issues new debt that is secured by the proceeds of a new recovery charge to Utility customers. A rate-neutral securitization means that the Utility will propose to offset the new recovery charges with customer credits, so that on a net present value basis, customers do not experience an increase in utility rates. The Utility would be able to support these credits based on the tax savings from the Wildfire NOLs and other sources. In other words, the funds retained by the Utility that would have otherwise been used to pay taxes can be used for other purposes, reducing the amount that the Utility needs to collect from customers (thereby using the Wildfire NOLs to “fund” the credit).

The foregoing description of anticipated sources and uses of funding for the Proposed Plan includes “forward-looking statements” within the meaning of Section 27A of the Securities Act, including statements about the expected sources and uses of funding, expected financing transactions (including the potential securitization) and projected balances of assets and liabilities (including cash on hand, accrued interest, trade payables and other amounts). This description reflects PG&E Corporation’s and the Utility’s expectations as of the date of this filing and remains subject to change. (See “Forward-Looking Statements” at the beginning of this Annual Report on Form 10-K).

#### **Dividends**

On December 20, 2017, the Boards of Directors of PG&E Corporation and the Utility suspended quarterly cash dividends on both PG&E Corporation’s and the Utility’s common stock, beginning the fourth quarter of 2017, as well as the Utility’s preferred stock, beginning the three-month period ending January 31, 2018. (See Note 6 of the Notes to the Consolidated Financial Statements in Item 8.)



## Utility Cash Flows

The Utility's cash flows were as follows:

(in millions)	Year Ended December 31,		
	2019	2018	2017
Net cash provided by operating activities	\$ 4,810	\$ 4,704	\$ 5,916
Net cash used in investing activities	(6,378)	(6,564)	(5,650)
Net cash provided by financing activities	1,395	2,708	110
<b>Net change in cash and cash equivalents</b>	<b>\$ (173)</b>	<b>\$ 848</b>	<b>\$ 376</b>

### *Operating Activities*

The Utility's cash flows from operating activities primarily consist of receipts from customers less payments of operating expenses, other than expenses such as depreciation that do not require the use of cash. During 2019, net cash provided by operating activities increased by \$106 million compared to 2018. This increase was due to a decrease in interest paid from \$773 million to \$7 million as a result of the automatic stay as of the Petition Date. Additionally, income taxes paid decreased from \$59 million in 2018 to zero in 2019. These decreases in amounts paid were offset by an increase in amounts paid for reorganization items, and enhanced and accelerated inspections and repairs of transmission and distribution assets in 2019, with no similar payments in 2018, partially offset by additional amounts not paid due to the automatic stay as of the Petition Date. During 2018, net cash provided by operating activities decreased by \$1.2 billion compared to 2017. This decrease was due to an increase in costs for clean-up and repair, and legal and other costs related to the 2018 Camp fire and 2017 Northern California wildfires, as well as enhanced vegetation management work, and due to fluctuations in activities within the normal course of business such as the timing and amount of customer billings and collections and vendor billings and payments. Additionally, the Utility paid \$59 million in income taxes in 2018, as compared to receiving a refund of \$162 million in 2017.

The Utility will continue to operate its business as a debtor in possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. Future cash flow from operating activities will be affected by various ongoing activities, including:

- the timing and amounts of costs, including fines and penalties, that may be incurred in connection with current and future enforcement, litigation, and regulatory matters (see Note 14 and "Enforcement and Litigation Matters" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8. and Item 3. Legal Proceedings for more information);
- the timing and amount of substantially increasing costs in connection with the 2019 Wildfire Mitigation Plan that are not currently being recovered in rates (see "Regulatory Matters" below for more information);
- the timing and amount of premium payments related to wildfire insurance (see "Wildfire Insurance" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8 for more information);
- the Tax Act, which may accelerate the timing of federal tax payments and reduce revenue requirements, resulting in lower operating cash flows depending on the timing of wildfire payments; and
- the timing and outcomes of the 2020 GRC, FERC TO18, TO19 and TO20 rate cases, NDCTP, 2018 and 2019 CEMA filings, and other ratemaking and regulatory proceedings.

The Utility had material obligations outstanding as of the Petition Date, including claims related to the 2018 Camp fire and 2017 Northern California wildfires. Any efforts to enforce such payment obligations are automatically stayed as of the Petition Date, and are subject to the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Future cash flows will be materially impacted by the timing and outcome of the Chapter 11 Cases.

### ***Investing Activities***

Net cash used in investing activities decreased by \$186 million during 2019 as compared to 2018 primarily due to a decrease in cash paid for capital expenditures as a result of the automatic stay as of the Petition Date. Net cash used in investing activities increased by \$914 million during 2018 as compared to 2017 primarily due to an increase of approximately \$873 million in capital expenditures. The Utility's investing activities primarily consist of the construction of new and replacement facilities necessary to provide safe and reliable electricity and natural gas services to its customers. Cash used in investing activities also includes the proceeds from sales of nuclear decommissioning trust investments which are largely offset by the amount of cash used to purchase new nuclear decommissioning trust investments. The funds in the decommissioning trusts, along with accumulated earnings, are used exclusively for decommissioning and dismantling the Utility's nuclear generation facilities.

Future cash flows used in investing activities are largely dependent on the timing and amount of capital expenditures. The Utility estimates that it will incur approximately \$7.6 billion in capital expenditures in 2020.

### ***Financing Activities***

During 2019, net cash provided by financing activities decreased by \$1.3 billion as compared to 2018. This decrease was primarily due to \$2.9 billion of net borrowings under revolving credit facilities in 2018, partially offset by \$1.5 billion of net borrowings under the DIP Initial Term Loan Facility in 2019.

Cash provided by or used in financing activities is driven by the Utility's financing needs, which depend on the level of cash provided by or used in operating activities, the level of cash provided by or used in investing activities, the conditions in the capital markets, and the maturity date of existing debt instruments.

## CONTRACTUAL COMMITMENTS

The following table provides information about PG&E Corporation's and the Utility's contractual commitments at December 31, 2019:

(in millions)	Payment due by period				Total
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
<b>Utility</b>					
Long-term debt <sup>(1)</sup>	\$ 2,255	\$ 2,564	\$ 3,404	\$ 22,626	\$ 30,849
Purchase obligations <sup>(2)</sup>					
Power purchase agreements	2,952	5,474	4,274	23,298	35,998
Natural gas supply, transportation, and storage	411	310	310	346	1,377
Nuclear fuel agreements	151	118	96	—	365
Pension and other benefits <sup>(3)</sup>	342	684	684	342	2,051
Operating leases <sup>(2)</sup>	45	70	38	111	264
Preferred dividends <sup>(4)</sup>	14	28	28	—	70
<b>PG&amp;E Corporation</b>					
Long-term debt <sup>(1)</sup>	354	—	—	—	354
<b>Total Contractual Commitments</b>	<b>\$ 6,524</b>	<b>\$ 9,248</b>	<b>\$ 8,834</b>	<b>\$ 46,723</b>	<b>\$ 71,328</b>

<sup>(1)</sup> Includes interest payments over the terms of the debt at contractual rates. Interest is calculated using the applicable interest rate at December 31, 2019 and outstanding principal for each instrument with the terms ending at each instrument's maturity. The commencement of the Chapter 11 Cases constituted an event of default or termination event under the long-term debt summarized in the table above. For more information, see "Liquidity and Financial Resources - Financial Resources - Acceleration of Pre-petition Debt Obligations" in Item 7. MD&A and Note 5 of the Notes to the Consolidated Financial Statements in Item 8.

<sup>(2)</sup> See "Purchase Commitments" and "Other Commitments" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.

<sup>(3)</sup> See Note 12 of the Notes to the Consolidated Financial Statements in Item 8. Payments into the pension and other benefits plans are based on annual contribution requirements. As these annual requirements continue indefinitely into the future, the amount shown in the column entitled "more than 5 years" represents only 1 year of contributions for the Utility's pension and other benefit plans.

<sup>(4)</sup> Beginning with the three-month period ending January 31, 2018, quarterly cash dividends on the Utility's preferred stock were suspended. While the timing of cumulative dividend payments is uncertain, it is assumed for the table above to be payable within a fixed period of five years based on historical performance. (See Note 7 of the Consolidated Financial Statements in Item 8.)

The contractual commitments table above excludes potential payments associated with unrecognized tax positions. Due to the uncertainty surrounding tax audits, PG&E Corporation and the Utility cannot make reliable estimates of the amounts and periods of future payments to major tax jurisdictions related to unrecognized tax benefits. Matters relating to tax years that remain subject to examination are discussed in Note 9 of the Notes to the Consolidated Financial Statements in Item 8. (For more information, see "Liquidity and Financial Resources - Financial Resources - Acceleration of Pre-petition Debt Obligations" in Item 7. MD&A.)

Subject to certain exceptions, under the Bankruptcy Code, PG&E Corporation and the Utility may assume, assign or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court and satisfaction of certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a pre-petition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves PG&E Corporation and the Utility of performing their respective future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Generally, the assumption of an executory contract or unexpired lease will require PG&E Corporation or the Utility, as applicable, to cure existing monetary and non-monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with PG&E Corporation or the Utility in this Annual Report on Form 10-K, including where applicable a quantification of the obligations under any such executory contract or unexpired lease, is qualified by any overriding assumption or rejection rights PG&E Corporation or the Utility, as applicable, has under the Bankruptcy Code. Further, nothing herein is or shall be deemed to be an admission with respect to any claim amounts or calculations arising from the rejection of any executory contract or unexpired lease and PG&E Corporation and the Utility expressly reserve all of their rights with respect thereto.

## Off-Balance Sheet Arrangements

PG&E Corporation and the Utility do not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a current or future material effect on their financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources, other than those discussed under “Purchase Commitments” in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.

## ENFORCEMENT AND LITIGATION MATTERS

PG&E Corporation and the Utility have significant contingencies arising from their operations, including contingencies related to the enforcement and litigation matters described in Notes 14 and 15 of the Notes to the Consolidated Financial Statements in Item 8. and Legal Proceedings in Item 3 that are incorporated by reference herein. The outcome of these matters, individually or in the aggregate, could have a material effect on PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows.

### *U.S. District Court Matters and Probation*

On August 9, 2016, the jury in the federal criminal trial against the Utility in the United States District Court for the Northern District of California, in San Francisco, found the Utility guilty on one count of obstructing a federal agency proceeding and five counts of violations of pipeline integrity management regulations of the Natural Gas Pipeline Safety Act. On January 26, 2017, the court imposed a sentence on the Utility in connection with the conviction. The court sentenced the Utility to a five-year corporate probation period, oversight by the Monitor for a period of five years, with the ability to apply for early termination after three years, a fine of \$3 million to be paid to the federal government, certain advertising requirements, and community service.

The probation includes a requirement that the Utility not commit any local, state, or federal crimes during the probation period. As part of the probation, the Utility has retained the Monitor at the Utility’s expense. The goal of the Monitor is to help ensure that the Utility takes reasonable and appropriate steps to maintain the safety of its gas and electric operations, and to maintain effective ethics, compliance and safety related incentive programs on a Utility-wide basis.

On January 9, 2019, the court issued an order (the “January 9 Order”) proposing to add new conditions of probation that would require the Utility, among other things, to:

- prior to June 21, 2019, “re-inspect all of its electrical grid and remove or trim all trees that could fall onto its power lines, poles or equipment in high-wind conditions, . . . identify and fix all conductors that might swing together and arc due to slack and/or other circumstances under high-wind conditions[,] identify and fix damaged or weakened poles, transformers, fuses and other connectors [and] identify and fix any other condition anywhere in its grid similar to any condition that contributed to any previous wildfires,”
- “document the foregoing inspections and the work done and . . . rate each segment’s safety under various wind conditions” and
- at all times from and after June 21, 2019, “supply electricity only through those parts of its electrical grid it has determined to be safe under the wind conditions then prevailing.”

On January 30, 2019, the court found that the Utility had violated a condition of its probation with respect to reporting requirements related to the 2017 Honey fire. Also, on January 30, 2019, the court ordered the Utility to submit to the court on February 6, 2019 the 2019 Wildfire Mitigation Plan that the Utility was required to submit to the CPUC by February 6, 2019 in accordance with SB 901, and invited interested parties to comment on such plan by February 20, 2019.

On March 5, 2019, the court issued an order proposing to add new conditions of probation that would require the Utility, among other things, to:

- “fully comply with all applicable laws concerning vegetation management and clearance requirements;”
- “fully comply with the specific targets and metrics set forth in its wildfire mitigation plan, including with respect to enhanced vegetation management;”

- submit to “regular, unannounced inspections” by the Monitor “of PG&E’s vegetation management efforts and equipment inspection, enhancement, and repair efforts” in connection with a requirement that the Monitor “assess PG&E’s wildfire mitigation and wildfire safety work;”
- “maintain traceable, verifiable, accurate, and complete records of its vegetation management efforts” and report to the Monitor monthly on its vegetation management status and progress; and
- “ensure that sufficient resources, financial and personnel, including contractors and employees, are allocated to achieve the foregoing” and to forgo issuing “any dividends until [the Utility] is in compliance with all applicable vegetation management requirements as set forth above.”

On April 3, 2019, the court issued an order imposing the new terms though amended the second condition to clarify that “[f]or purposes of this condition, the operative wildfire mitigation plan will be the plan ultimately approved by the CPUC.”

On May 14, 2019, the court imposed two additional conditions of probation: (1) requiring that PG&E Corporation’s Board of Directors, Chief Executive Officer, senior executives, the Monitor and U.S. Probation Officer visit the towns of Paradise and San Bruno “to gain a firsthand understanding of the harm inflicted on those communities;” and (2) requiring that a committee of PG&E Corporation’s Board of Directors assume responsibility for tracking progress of the 2019 Wildfire Mitigation Plan and the additional terms of probation regarding wildfire safety, reporting in writing to the full Board at least quarterly. The court also stated that it was not going to rule at this time on whether the court has authority to extend probation and would leave that question “in abeyance.” The court did not discuss whether the Monitor reports should be made public. Members of PG&E Corporation’s Board of Directors and senior management attended site visits to the Town of Paradise on June 7, 2019 and the City of San Bruno on July 16, 2019, which were coordinated by the U.S. Probation Officer overseeing the Utility’s probation. In addition, the Compliance and Public Policy Committee, a committee of PG&E Corporation’s Board of Directors, will be responsible for tracking the Utility’s progress against the Utility’s wildfire mitigation plan, as approved by the CPUC, and compliance with the terms of the Utility’s probation regarding wildfire safety.

On November 12, 2019, the court held a hearing related to the Utility’s San Bruno community service. At the hearing, representatives from San Bruno asked the court to approve allowing the Utility to satisfy the remainder of its community service requirements by making a \$3 million payment that would be used for the purpose of hard costs incurred as part of the Crestmoor Canyon Wildfire Mitigation Project. The court approved the request and ordered the parties to jointly offer language regarding revising the Utility’s conditions of probation to effectuate this change. The parties conferred and agreed on proposed language, which the Utility submitted to the court as a proposed order on November 27, 2019. The court signed the proposed order that same day, and on December 10, 2019 confirmed receipt of the \$3 million payment from the Utility in compliance with the November 27th Order.

On January 16, 2020, the court issued an order to show cause noting that the Utility had admitted it was not in full compliance with the following conditions of probation: (1) fully complying with all applicable laws concerning vegetation management; and (2) fully complying with specific targets and metrics set forth in its wildfire mitigation plan. The court set a show cause hearing for February 19, 2020, to discuss why a further condition of probation should not be imposed requiring the Utility to hire sufficient crews to enable it to fully comply with the laws and its wildfire mitigation plan concerning vegetation management. The Utility submitted its response to the court on February 12, 2020.

On January 24, 2020, the court issued an additional order to show cause as to why, going forward, the Utility should not restrict all bonuses and other incentives for supervisors and above exclusively to achieving its wildfire mitigation plan and other safety goals. The Utility submitted its response to the court on February 12, 2020. A hearing in connection with this order is scheduled for February 19, 2020.

On February 4, 2020, the court issued a request for amended responses and further questions to be answered by the Utility relating to certain of the court’s requests for wildfire and PSPS related information. The Utility has until February 18, 2020 to submit its responses to these questions.

## REGULATORY MATTERS

The Utility is subject to substantial regulation by the CPUC, the FERC, the NRC, and other federal and state regulatory agencies. The resolutions of the proceedings described below and other proceedings may materially affect PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

### Rate Cases

#### *Application for Wildfire Mitigation and Catastrophic Events Interim Rates*

On February 7, 2020, the Utility filed an interim relief application seeking \$899 million in interim rates related to certain electric distribution costs recorded in the following memorandum accounts: WMPMA, FRMMA, FHPMA, and CEMA. The costs pertain mainly to the years 2017-2019. The application addresses costs recorded in: (i) the WMPMA and FRMMA to comply with the 2019 WMP and other wildfire mitigation costs not otherwise recoverable through rates, (ii) the FHPMA to comply with various fire safety rulemakings through 2019, and (iii) the CEMA for responding to, and restoring customer service after, certain storms and fires occurring in 2019.

After removing the amounts agreed to be not subject for recovery pursuant to the 2017 Northern California Wildfires and the 2018 Camp Fire OII settlement agreement (submitted to the CPUC on December 17, 2019), the total electric distribution costs related to the above activities are approximately \$1.7 billion in expense and capital expenditures. This amount translates to an electric distribution revenue requirement of approximately \$1 billion. The interim rate relief sought in this application is 85% of that revenue requirement. The Utility's application calls for a CPUC decision by July of 2020. In its interim rate relief application, the Utility also proposes to file one or more detailed application(s) with the CPUC to determine the reasonableness of the above-described costs later in 2020.

If approved, by the CPUC, the interim relief request would increase electric distribution rates over a 17-month period beginning in August 2020. If the CPUC determines in those later application(s) that the interim rates were too high, the Utility will refund any overcollections to customers with interest based on the applicable commercial paper rate.

The Utility's application also requests a CPUC ruling that would allow for interim rate relief when the recorded balance in certain memorandum accounts exceeds a threshold of \$100 million.

The Utility is unable to predict the timing and outcome of this application.

#### *Application for Recovery of Costs Recorded in the Wildfire Expense Memorandum Account*

On February 7, 2020, the Utility filed an application seeking recovery of certain costs recorded in the WEMA. In the application, the Utility seeks recovery of \$498.7 million for the cost of insurance premiums paid by the Utility between July 26, 2017 through December 31, 2019 that is incremental to the insurance costs already authorized in the 2017 GRC or sought to be authorized in rates in the 2020 GRC. These incremental costs are not associated with any specific wildfire event. The application does not seek recovery of wildfire claims or associated legal costs eligible for recording to WEMA. The Utility has proposed a schedule for the proceeding that requests a final decision by the end of 2020 and costs to be recovered during 2021.

The Utility is unable to predict the timing and outcome of this application.

#### *Application for a Waiver of the Capital Structure Condition*

The CPUC's capital structure decisions require the Utility to maintain a 52% equity ratio on average over the period that the authorized capital structure is in place, and to file an application for a waiver to the capital structure condition if an adverse financial event reduces its equity ratio by 1% or more. The CPUC's decisions state that the Utility shall not be considered in violation of these conditions during the period the waiver application is pending resolution. Due to the net charges recorded in connection with the 2018 Camp fire and the 2017 Northern California wildfires as of December 31, 2018, the Utility submitted to the CPUC an application for a waiver of the capital structure condition on February 28, 2019. The waiver is subject to CPUC approval.

On April 30, 2019, the CPUC held a prehearing conference, and on May 29, 2019, the CPUC issued a scoping memo and ruling on issues for briefing. Subsequently, among other things, the Utility filed a motion with the CPUC to notify the CPUC of a decline in its equity ratio to approximately 34% at June 30, 2019. On November 12, 2019, the Utility submitted a second motion to the CPUC to notify the CPUC of an additional decline in its equity ratio to approximately 30.4%, based on information reported in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, primarily related to non-cash charges related to the 2018 Camp fire and the 2017 Northern California wildfires. The Utility submitted additional pleadings in December 2019, notifying the CPUC of additional charges due to the 2017 Northern California wildfires and the 2018 Camp fire, and describing the impacts on its equity percentage if the charges were added to the Utility's financial information reported in its Form 10-Q for the quarterly period ending September 30, 2019. However, the Utility indicated that its equity percentage at December 31, 2019 would not be known until the financial information for the period ending December 31, 2019 is reported in the 2019 Form 10-K.

On November 20, 2019, the assigned ALJ issued a ruling with questions for the Utility to answer. On January 21, 2020, the Utility filed responses to the questions presented in the ALJ's November 20, 2019 ruling. In its responses, among other things, the Utility recommended that the CPUC grant the Utility a waiver of the capital structure condition, and transfer the issue of the Utility's capital structure waiver to the OII to consider and resolve the continuance or end of the waiver in that proceeding in connection with the Utility's Proposed Plan of Reorganization.

The Utility is unable to predict the timing and outcome of its waiver application.

### **2020 Cost of Capital Proceeding**

On December 19, 2019, the CPUC approved a final decision in the 2020 Cost of Capital proceeding, maintaining the Utility's return on common equity for the three-year period beginning January 1, 2020 at 10.25%, as compared to 12% requested by the Utility. The Utility's annual cost of capital adjustment mechanism also remains unchanged. The decision maintains the common equity component of the Utility's capital structure at 52%, as requested by the Utility, and reduces its preferred stock component from 1% to 0.5%, also as requested by the Utility. The decision also approves the cost of debt requested by the Utility.

The following table compares the cost of capital currently authorized (in the Utility's 2019 Gas Transmission and Storage rate case and the 2017 General Rate Case) with those in the decision:

	2019 Authorized			2020 Adopted		
	Cost	Capital Structure	Weighted Cost	Cost	Capital Structure	Weighted Cost
Return on common equity	10.25 %	52.00 %	5.33 %	10.25 %	52.00 %	5.33 %
Preferred stock	5.60 %	1.00 %	0.06 %	5.52 %	0.50 %	0.03 %
Long-term debt	4.89 %	47.00 %	2.30 %	5.16 %	47.50 %	2.45 %
<b>Weighted average cost of capital</b>			<b>7.69 %</b>			<b>7.81 %</b>

The Utility estimates that the Utility's 2020 revenue requirement associated with the authorized cost of capital is approximately \$30 million more than the authorized revenue requirement at the 2019 authorized cost of capital.

The decision does not take a position or establish any orders pertaining to whether the Utility should be required to submit a new cost of capital application following its emergence from Chapter 11 bankruptcy. The decision defers that issue to the CPUC's separate order instituting investigation into issues relating to the Utility's bankruptcy.

### **2017 General Rate Case**

On May 11, 2017, the CPUC issued a final decision in the Utility's 2017 GRC, which determined the annual amount of base revenues (or "revenue requirements") that the Utility is authorized to collect from customers from 2017 through 2019 to recover its anticipated costs for electric distribution, natural gas distribution, and electric generation operations and to provide the Utility an opportunity to earn its authorized rate of return. The final decision approved, with certain modifications, the settlement agreement that the Utility, PAO, TURN, and 12 other intervening parties jointly submitted to the CPUC on August 3, 2016. Consistent with the amounts proposed in the settlement agreement, the final decision approved a revenue requirement increase of \$88 million for 2017, with additional increases of \$444 million in 2018 and \$361 million in 2019.

On September 24, 2018, the CPUC approved the Utility's advice letter proposal to make a one-time reduction to revenues by approximately \$21 million. This advice letter was directed by an ALJ ruling in response to the Utility's \$300 million expense reduction announcement in January 2017.

Also, as a result of the Tax Act, on March 30, 2018, the Utility submitted to the CPUC a PFM of the CPUC's final decision in the 2017 GRC proposing to reduce revenue requirements by \$267 million and \$296 million for 2018 and 2019, respectively, and increase rate base by \$199 million and \$425 million for 2018 and 2019, respectively. On August 15, 2019, a final decision on the PFM was issued directing the Utility to consult with the CPUC's Energy Division to ensure that its calculations include the cost of removal component of book depreciation when calculating the amortization of protected excess deferred income taxes using the ARAM and to quantify the amount of unprotected excess deferred taxes, which can be returned to ratepayers without following the ARAM. In compliance with the decision, on September 13, 2019, the Utility filed an advice letter with the revised calculations and the length of time the revenue requirement reductions would be amortized in rates. On October 17, 2019, the CPUC approved the Utility's advice letter approving a revised computation of the effects of the Tax Act on the revenue requirements, resulting in a \$282 million reduction to the 2018 revenue requirement and a \$291 million reduction to the 2019 revenue requirement. The Utility will incorporate these revenue requirement reductions into rates beginning on January 1, 2020 and later in 2020, along with other anticipated changes, such as the 2020 GRC phase one. The IRS is expected to provide additional guidance on ARAM. This IRS guidance may impact the Utility's calculation of the related revenue requirement. It is uncertain when the IRS guidance may be issued.

The Utility provided an update of the cost effectiveness study for the SmartMeter™ Upgrade project to the CPUC on July 10, 2017. On October 24, 2019, the CPUC adopted a final decision that finds (i) the July 10, 2017 study is a thorough and complete update of the cost-effectiveness of the project and (ii) the Utility should submit an updated version of the cost effectiveness study as a stand-alone exhibit in each GRC Phase I application that the Utility files in the future.

### **2020 General Rate Case**

On December 20, 2019, the Utility together with the PAO, TURN, CUE, the CPUC's Office of the Safety Advocate, the National Diversity Coalition, the Center for Accessible Technology, the Small Business Utility Advocates, and California City County Street Light Association filed a motion with the CPUC seeking approval of a settlement agreement that resolves all of the issues raised by these parties in the Utility's 2020 GRC.

#### *Revenue Requirements and Attrition Year Revenues*

The settlement agreement proposes that the Utility's 2019 authorized revenue requirement of \$8.5 billion be increased by \$575 million, effective January 1, 2020, to \$9.1 billion. The settlement agreement further provides for an increase of \$318 million to the authorized 2020 revenue requirement in 2021 and an additional increase of \$367 million in 2022, as shown in the table below.

The table below summarizes the differences between the amount of revenue requirement increases included in the Utility's application on December 13, 2018, as updated in its testimony on November 1, 2019, and the amount in the settlement agreement:

(in millions)

<b>Year</b>	<b>Increase Requested in GRC Application</b>	<b>Increase Proposed in Settlement Agreement <sup>(1)</sup></b>	<b>Difference (Decrease from GRC Application)</b>
2020	\$ 1,003	\$ 575	\$ (428)
2021	356	318	(38)
2022	481	367	(114)

<sup>(1)</sup> The settlement amounts reflect the impacts of AB 1054.



The following table shows the differences, based on line of business and cost category, between the amount of revenue requirements requested by the Utility in its GRC application and the amount in the settlement agreement, as well as the differences between the 2019 authorized revenue requirements and (i) the GRC application and (ii) the amounts in the settlement agreement:

(in millions)	Amounts Requested in GRC Application	Amounts Proposed in Settlement Agreement	Difference (Decrease)	Increase / (Decrease) 2019 Amounts vs. GRC Application		Increase / (Decrease) 2019 GRC vs. Settlement Agreement	
<b>Lines of Business:</b>							
Electric distribution	\$ 5,057	\$ 4,776	\$ (281)	\$ 693	15.9 %	\$ 411	9.4 %
Gas distribution	2,136	2,020	(116)	174	8.9 %	58	2.9 %
Electric generation	2,327	2,297	(30)	136	6.2 %	106	4.8 %
<b>Total revenue requirements</b>	<b>\$ 9,520</b>	<b>\$ 9,093</b>	<b>\$ (427)</b>	<b>\$ 1,003</b>	<b>11.8 %</b>	<b>\$ 575</b>	<b>6.8 %</b>
<b>Cost Category:</b>							
Operations and maintenance	\$ 2,143	\$ 2,073	\$ (70)	\$ 197		\$ 128	
Customer services	312	277	(35)	(26)		(61)	
Administrative and general	1,316	1,203	(113)	363		250	
Less: Revenue credits	(196)	(194)	2	(43)		(42)	
Franchise fees, taxes other than income, and other adjustments	234	214	(20)	53		32	
Depreciation (including costs of asset removal), return, and income taxes	5,711	5,520	(191)	459		268	
<b>Total revenue requirements</b>	<b>\$ 9,520</b>	<b>\$ 9,093</b>	<b>\$ (427)</b>	<b>\$ 1,003</b>		<b>\$ 575</b>	

For the Utility's largest requests in the GRC application (i.e., the CWSP and excess liability insurance costs), the settlement agreement includes the following terms:

- Funding of the Utility's CWSP forecast through a new two-way Wildfire Mitigation Balancing Account. This would include the costs associated with overhead system hardening and other incremental costs of wildfire mitigations that are approved by the CPUC. A reasonableness review threshold would apply if the Utility wishes to recover costs beyond 115% of the adopted forecast or average unit cost.
- Combination of routine and enhanced vegetation management costs in a new two-way Vegetation Management Balancing Account to track and record actual vegetation management costs (routine and enhanced) beyond the adopted level. A reasonableness review threshold would apply if the Utility wishes to recover beyond 120% of the adopted forecast. This new account would replace the currently established one-way Vegetation Management Balancing Account that covered costs for the routine program.
- A new two-way electric and gas Risk Transfer Balancing Account to record the difference between the amounts adopted for liability insurance premiums and the Utility's actual costs. This two-way account would allow the Utility to pass through actual insurance premium costs for up to \$1.4 billion in coverage. The Utility could also request additional coverage through an advice letter and/or pursue self-insurance.

#### *Capital Additions and Rate Base*

The settlement agreement assumes a 2020 weighted average rate base of approximately \$29.4 billion for the portions of the Utility's business reviewed in the GRC, compared with the Utility's original request of approximately \$29.9 billion. The \$0.5 billion difference is primarily due to the lower level of working capital, depreciation and other reductions in the settlement agreement. This rate base amount includes \$601 million of forecast capital spend in 2020 that will not earn an equity return, pursuant to AB 1054. For the purpose of the settlement agreement, the Utility calculated a weighted average rate base of \$31.0 billion and \$33.0 billion for 2021 and 2022, respectively. The Utility submitted its five-year financial forecast, including projected capital expenditure assumptions, in connection with its chapter 11 proceedings. While the Utility currently is evaluating capital expenditure assumptions, capital additions and rate base amounts may materially increase from the current forecast.

Over the 2020-2022 GRC period, the settlement agreement provides average annual capital investments of approximately \$4.6 billion in electric distribution, natural gas distribution and electric generation infrastructure. While the settlement agreement proposes overall revenue requirement increases for 2021 and 2022, it does not specify capital expenditures for those years.

Consistent with the Utility's GRC application, the settlement agreement does not propose funding for claims resulting from the 2017 Northern California wildfires or the 2018 Camp fire. Also, the Utility is not seeking recovery of compensation of PG&E Corporation's and the Utility's officers.

On December 2, 2019, the CPUC revised the procedural schedule for this proceeding.

Opening and reply briefs on disputed issues outside of the settlement agreement were submitted to the CPUC by several parties on January 6, 2020 and January 27, 2020, respectively. Opening and reply comments on the settlement agreement were submitted to the CPUC by several parties on January 21, 2020 and February 5, 2020, respectively.

As a result of the settlement and based on other facts and circumstances known to PG&E Corporation and the Utility as of the date of this filing, PG&E Corporation and the Utility expect to remain on track to satisfy the rate base conditions included in their exit financing documents.

The Utility is unable to predict the timing and outcome of this proceeding.

In accordance with a January 16, 2020 CPUC decision in its OIR to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the GRC Plan the decision, the Utility is required to file with the CPUC on June 30, 2021 a single "general rate case" application requesting integrated GRC and GT&S related revenue requirements for test year 2023 and three attrition years.

### ***2015 Gas Transmission and Storage Rate Case***

In its final decisions in the Utility's 2015 GT&S rate case, the CPUC excluded from rate base \$696 million of capital spending in 2011 through 2014. This was the amount recorded in excess of the amount adopted in the 2011 GT&S rate case. The decision permanently disallowed \$120 million of that amount and ordered that the remaining \$576 million be subject to an audit overseen by the CPUC staff, with the possibility that the Utility may seek recovery in a future proceeding. The Utility would be required to take a charge in the future if the CPUC's audit of 2011 through 2014 capital spending resulted in additional permanent disallowance. The audit is still in process. The Utility cannot predict the timing and outcome of the audit.

As a result of the Tax Act, on March 30, 2018, the Utility submitted to the CPUC a PFM of the CPUC's final decision in the 2015 GT&S rate case proposing to reduce revenue requirements by \$58 million and increase rate base by \$12 million for 2018 (excluding the impacts of an approximately \$7 million increase in revenue requirement and a \$60 million increase in rate base associated with the Utility's private letter ruling advice letter approved by the CPUC on July 18, 2018). On August 15, 2019, a final decision on the PFM was issued directing the Utility to consult with the CPUC's Energy Division to ensure that its calculations include the cost of removal component of book depreciation when calculating the amortization of protected excess deferred income taxes using the ARAM and to quantify the amount of unprotected excess deferred taxes, which can be returned to ratepayers without following the ARAM. In compliance with the decision, on September 13, 2019, the Utility filed an advice letter with the revised calculations and the length of time the revenue requirement reductions would be amortized in rates. On October 17, 2019, the CPUC approved the Utility's advice letter approving a revised computation of the effects of the Tax Act on the revenue requirements, resulting in a \$61 million reduction to the 2018 revenue requirement. The Utility incorporated the revenue requirement reduction into rates beginning January 1, 2020. The IRS is expected to provide additional guidance on ARAM. This IRS guidance may impact the Utility's calculation of the related revenue requirement. It is uncertain when the IRS guidance may be issued.

### ***2019 Gas Transmission and Storage Rate Case***

On September 12, 2019, the CPUC voted the final decision in the 2019 GT&S rate case of the Utility. By approving the decision, the CPUC adopted a 2019 revenue requirement of \$1.332 billion compared to the Utility's (revised) request of \$1.485 billion. This corresponds to an increase of \$31 million over the Utility's 2018 authorized revenue requirement of \$1.301 billion, compared to the \$184 million increase requested by the Utility. The CPUC also adopted revenue requirements of \$1.432 billion for 2020, \$1.516 billion for 2021, and \$1.580 billion for 2022, compared to the Utility's request of \$1.595 billion for 2020, \$1.693 billion for 2021, and \$1.679 billion for 2022.

The revenue requirement amounts requested by the Utility and the revenue requirement amounts in the decision are set forth in the following table:

**Revenue Requirement**

(in millions)	<b>2018 Currently Authorized</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Utility's Request	\$ 1,301	\$ 1,485	\$ 1,595	\$ 1,693	\$ 1,679
Decision	\$ 1,301	\$ 1,332	\$ 1,432	\$ 1,516	\$ 1,580

The decision removed from rate base approximately \$304 million on a forecasted basis of pipeline replacement capital expenditures for the 2015-2018 period due to cost overruns; the Utility submitted updated recorded numbers to the CPUC that calculate the disallowance as \$237 million. Incorporating the forecast reduction, the decision adopted a rate base for 2019 of \$4.46 billion, which corresponds to an increase of \$0.75 billion over the 2018 adopted rate base of \$3.71 billion. This is compared to the Utility's rate base request of \$4.75 billion for 2019. The decision adopted a rate base of \$4.98 billion for 2020, \$5.37 billion for 2021, and \$5.71 billion for 2022.

The rate base amounts also exclude approximately \$576 million of capital spending subject to audit by the CPUC (related to 2011 through 2014 expenditures in excess of amounts adopted in the 2011 GT&S rate case), pursuant to the 2015 GT&S rate case decision. The Utility is unable to predict whether the \$576 million, or a portion thereof, will ultimately be approved by the CPUC and included in the Utility's future rate base.

The decision adopted capital expenditures of \$726 million for 2019, which corresponds to a decrease of \$104 million over the Utility's request of \$830 million. The decision adopted a post-test year ratemaking joint stipulation proposed by the Utility and PAO. The joint stipulation results in adopted capital expenditures of \$697 million in 2020, \$597 million in 2021, and \$570 million in 2022.

The decision adopted the Utility's proposed Natural Gas Storage Strategy, with minor modifications related to the decommissioning or sale of the Utility's Los Medanos and Pleasant Creek storage fields, and the decision adopted a two-way balancing account for storage costs, which will be subject to a reasonableness review in the next GT&S rate case. The decision retained a number of existing memorandum accounts and one-way balancing accounts, including a one-way expense balancing account for transmission integrity management, and adopted 19 new expense and capital one-way balancing and memorandum accounts.

The decision also resolved the second phase of this proceeding, addressing the removal of officer compensation costs from the revenue requirement, which is required by California Senate Bill 901. On this matter, the decision adopted the joint stipulation offered by the Utility, PAO and TURN that reduces the Utility's requested 2019 GT&S operating expenses by \$1.428 million and capital expenditures by \$0.455 million.

On October 23, 2019, the Utility filed an application with the CPUC requesting the rehearing of the final decision. Specifically, issues identified by the Utility include the adopted disallowance associated with vintage pipe replacement, reduction in the Utility's expense forecast for in-line inspections, and establishment of a memo account for Internal Corrosion Direct Assessment. The Utility cannot predict the timing and outcome of this matter.

On January 16, 2020, the CPUC approved a final decision in its OIR to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the GRC Plan, as a result of which the Utility will be required to combine the GRC and GT&S rate cases starting with the 2023 GRC and 2023 GT&S rate case. In accordance with the decision, on June 30, 2021, the Utility is required to file with the CPUC a single "general rate case" application requesting integrated GRC and GT&S related revenue requirements for test year 2023 and three attrition years.

## **Transmission Owner Rate Cases**

### ***Transmission Owner Rate Cases for 2015 and 2016 (the “TO16” and “TO17” rate cases, respectively)***

On January 8, 2018, the Ninth Circuit Court of Appeals issued an opinion granting an appeal of FERC’s decisions in the TO16 and TO17 rate cases that had granted the Utility a 50 basis point ROE incentive adder for its continued participation in the CAISO. Those rate case decisions were remanded to FERC for further proceedings consistent with the Court of Appeals’ opinion. On remand, FERC concluded that the Utility should no longer be authorized to receive the 50 basis point ROE incentive adder, the Utility would have incurred a refund obligation of \$1 million and \$8.5 million for TO16 and TO17, respectively. Alternatively, if FERC again concluded that the Utility should receive the 50 basis point ROE incentive adder and provided the additional explanation that the Ninth Circuit found the FERC’s prior decisions lacked, then the Utility would not owe any refunds for this issue for TO16 or TO17.

On February 28, 2018, the Utility filed a motion to establish procedures on remand requesting additional briefing on the issues identified in the Ninth Circuit Court’s opinion. On August 20, 2018, FERC issued an order granting the Utility’s motion to allow for additional briefing. The order also consolidated the TO18 rate case with TO16 and TO17 for this issue. The Utility filed initial briefs on September 19, 2018 and reply briefs on October 10, 2018. On July 18, 2019, FERC issued its order on remand reaffirming its prior grant of the Utility’s request for the 50 basis point ROE adder. On August 16, 2019, a number of parties filed for rehearing of that order. As a result, on September 16, 2019, FERC extended the amount of time it has to consider the request for rehearing by issuing a tolling order for the limited purpose of further consideration of the matters raised in the request.

### ***Transmission Owner Rate Case for 2017 (the “TO18” rate case)***

On July 29, 2016, the Utility filed its TO18 rate case at the FERC requesting a 2017 retail electric transmission revenue requirement of \$1.72 billion, a \$387 million increase over the 2016 revenue requirement of \$1.33 billion. The forecasted network transmission rate base for 2017 was \$6.7 billion. The Utility sought a return on equity of 10.9%, which included an incentive component of 50 basis points for the Utility’s continuing participation in the CAISO. In the filing, the Utility forecasted that it would make investments of \$1.30 billion in 2017 in various capital projects.

On September 30, 2016, the FERC issued an order accepting the Utility’s July 2016 filing and setting it for hearing, but held the hearing procedures in abeyance for settlement procedures. The order set an effective date for rates of March 1, 2017 and made the rates subject to refund following resolution of the case. On March 17, 2017, the FERC issued an order terminating the settlement procedures due to an impasse in the settlement negotiations reported by the parties. During the hearings held in January 2018, the Utility, intervenors, and the FERC trial staff, addressed questions relating to return on equity, capital structure, depreciation rates, capital additions, rate base, operating and maintenance expense, administrative and general expense, and the allocation of common, general and intangible costs.

Additionally, on March 31, 2017, intervenors in the TO18 rate case filed a complaint at the FERC alleging that the Utility failed to justify its proposed rate increase in the TO18 rate case. On November 16, 2017, the FERC dismissed the complaint. On December 18, 2017, the complainants filed a request for a rehearing of that order, which the FERC denied on May 17, 2018.

On October 1, 2018, the ALJ issued an initial decision in the TO18 rate case proposing a ROE of 9.13% compared to the Utility’s request of 10.90%, and an estimated composite depreciation rate of 2.96% compared to the Utility’s request of 3.25%. The ALJ also rejected the Utility’s method of allocating common plant between CPUC and FERC jurisdiction. In addition, the ALJ proposed to reduce forecasted capital and expense spending to actual costs incurred for the rate case period. Further, the ALJ proposed to remove certain items from the Utility’s rate base and revenue requirement. The Utility and intervenors filed initial briefs on October 31, 2018, and reply briefs on November 20, 2018, in response to the ALJ’s initial decision.

Once the FERC issues its decision, the Utility expects one or more parties to seek rehearing of that decision and then appeal it to the courts. The Utility is unable to predict the timing and outcome of this proceeding.

### ***Transmission Owner Rate Case for 2018 (the “TO19” rate case)***

On July 27, 2017, the Utility filed its TO19 rate case at the FERC requesting a 2018 retail electric transmission revenue requirement of \$1.79 billion, a \$74 million increase over the proposed 2017 revenue requirement of \$1.72 billion. The forecasted network transmission rate base for 2018 was \$6.9 billion. The Utility sought an ROE of 10.75%, which includes an incentive component of 50 basis points for the Utility’s continuing participation in the CAISO. In the filing, the Utility forecasted capital expenditures of approximately \$1.4 billion. On September 28, 2017, the FERC issued an order accepting the Utility’s July 2017 filing, subject to hearing and refund, and established March 1, 2018 as the effective date for rate changes. The FERC also ordered that the hearings be held in abeyance pending settlement discussion among the parties. On May 14, 2018, the Utility filed a proposal to reflect the impact of the Tax Act on its TO tariff rates effective March 1, 2018, in the resolution of the TO19 rate case. The tax impact reduces the TO19 requested revenue requirement from \$1.79 billion to \$1.66 billion.

On September 29, 2017, intervenors in the TO19 rate case filed a complaint at the FERC alleging that the Utility failed to justify its proposed rate increase in the TO19 rate case. On October 17, 2017, the Utility requested that the FERC dismiss the complaint. On May 17, 2018, the FERC issued an order setting the complaint for hearing, initiating settlement judge procedures, and consolidating the complaint with the TO19 proceeding.

On September 21, 2018, the Utility filed an all-party settlement with the FERC in connection with TO19. As part of the settlement, the TO19 revenue requirement will be set at 98.85% of the revenue requirement for TO18 that will be determined upon the issuance of a final, non-appealable TO18 decision. Additionally, if the FERC were to determine that the Utility was not entitled to the 50 basis point incentive adder for the Utility’s continued CAISO participation, then the Utility would be obligated to make a refund to customers of approximately \$25 million. On December 20, 2018, the FERC issued an order approving the all-party settlement. Additionally, on July 18, 2019, the FERC issued an order on remand reaffirming its grant of the Utility’s request for the 50 basis point incentive adder for continued CAISO participation. On September 30, 2019, the FERC issued an order on rehearing that denied a pending request for rehearing of the FERC’s decision granting the 50 basis point ROE adder in the TO19 proceeding.

### ***Transmission Owner Rate Case for 2019 (the “TO20” rate case)***

On October 1, 2018, the Utility filed its TO20 rate case at FERC requesting approval of a formula rate for the costs associated with the Utility’s electric transmission facilities. On November 30, 2018, the FERC issued an order accepting the Utility’s October 2018 filing, subject to hearings and refund, and established May 1, 2019 as the effective date for rate changes. FERC also ordered that the hearings will be held in abeyance pending settlement discussions among the parties.

The formula rate replaces the “stated rate” methodology that the Utility used in its previous TO rate case filings. The formula rate methodology still includes an authorized revenue requirement and rate base for a given year, but it also provides for an annual update of the following year’s revenue requirement and rates in accordance with the terms of the FERC-approved formula. Under the formula rate mechanism, transmission revenue requirements will be updated to the actual cost of service annually as part of the true-up process. Differences between amounts collected and determined under the formula rate will be either collected from or refunded to customers.

In the filing, the Utility forecasts a 2019 retail electric transmission revenue requirement of \$1.96 billion. The proposed amount reflects an approximately 9.5% increase over the as-filed TO19 requested revenue requirement of \$1.79 billion (a subsequent reduction to \$1.66 billion was identified as a result of the Tax Act). The Utility forecasts that it will make investments of approximately \$1.1 billion and \$0.7 billion for 2018 and 2019, respectively, for various capital projects to be placed in service before the end of 2019. Including projects to be placed in service beyond 2019, the Utility forecasts total electric transmission capital expenditures of \$1.4 billion in 2018 and \$1.4 billion in 2019. The Utility’s forecasted rate base for 2019 is approximately \$8 billion on a weighted average basis, compared to the Utility’s forecasted rate base of \$6.9 billion in 2018. The Utility has requested that FERC approve a 12.5% return on equity (which includes an incentive component of 50 basis points for the Utility’s continuing participation in the CAISO), an increase from the 10.75% (also inclusive of a 50 basis point CAISO incentive adder) requested in its TO19 rate case.

On May 9, 2019, the Utility filed an application with the FERC requesting revisions to its TO20 rate case formula rate model to remove the impact of the non-cash wildfire-related charges on the ratio of common equity to total capital. The Utility indicates in its application that, because of the recording of the non-cash wildfire-related charges in connection with the 2017 Northern California wildfires and the 2018 Camp fire, the Utility's financial statements reflected a ratio of common equity to total capital of approximately 41% as of December 31, 2018. The Utility indicates that the proposed revisions adjust the equity ratio to accurately reflect how the Utility financed the capital projects that are included in rate base. The Utility's current rate base was financed with an equity ratio of approximately 52%, rather than the 41% equity ratio. In addition, on May 9, 2019, the Utility submitted a request to the FERC to exclude the wildfire charge from the Utility's capital structure for the purpose of calculating its allowance for funds used during construction effective January 1, 2019.

On July 10, 2019, the FERC accepted the Utility's revisions to the formula rate to become effective December 9, 2019, subject to refund, established hearing and settlement judge procedures, and reflected it with the Utility's TO20 case.

On November 27, 2019, the Utility filed its annual update filing under the TO20 Formula Rate for the rate year 2020 for the rates that will be effective January 1 through December 31, 2020, subject to refund and true-up.

The parties conducted several settlement conferences throughout 2019 and currently expect to file a partial settlement with the FERC no later than March 31, 2020.

### **Nuclear Decommissioning Cost Triennial Proceeding**

The Utility expects that the decommissioning of Diablo Canyon will take many years after the expiration of its current operating licenses. Detailed studies of the cost to decommission the Utility's nuclear generation facilities are conducted every three years in conjunction with the NDCTP. Actual decommissioning costs may vary from these estimates as a result of changes in assumptions such as regulatory requirements; technology; and costs of labor, materials, and equipment. The Utility recovers its revenue requirements for decommissioning costs from customers through a non-bypassable charge that the Utility expects will continue until those costs are fully recovered.

On December 13, 2018, the Utility submitted its 2018 NDCTP application, which includes a Diablo Canyon site-specific decommissioning cost estimate of \$4.8 billion to decommission the Diablo Canyon facilities.

On February 14, 2019, the CPUC issued a scoping memo addressing the scope of the Utility's 2018 NDCTP application to include the reasonableness of the Diablo Canyon decommissioning cost estimate, ratemaking proposals, proposed Diablo Canyon milestone framework, plans to address host community needs, reasonableness of Humboldt Bay Power Plant decommissioning costs, and reasonableness of performing Diablo Canyon planning activities pre-shutdown, including the proposed rate of recovery of these pre-planning activities addressed in the Utility's application for authorization to establish the Diablo Canyon decommissioning planning memorandum account (the "Diablo Canyon DPM account application").

On March 7, 2019, the CPUC amended the scoping memo to combine the Diablo Canyon DPM account application, which seeks authorization for the Utility to establish the Diablo Canyon Decommissioning Memorandum Account to track funding for Diablo Canyon pre-shutdown decommissioning planning activities, with the 2018 NDCTP. The CPUC approved the Utility to establish an interim mechanism to track decommissioning planning activity expenses in the Diablo Canyon Decommissioning Memorandum Account. Any Memorandum Account recovery of such expenses is subject to the authorization and approval of the CPUC, which will be discussed in this year's NDCTP. The assigned ALJ deferred the decision of cost recovery until after the NRC addresses the Utility's December 13, 2018 exemption request, in which the Utility requested an exemption to allow the Utility to withdraw from the NDT to fund decommissioning planning activities. The CPUC held public participation hearings on August 7 and 8, 2019 for residents and organizations in and near San Luis Obispo in connection with the Utility's request.

On September 10, 2019, the NRC issued a letter granting the Utility's request for an exemption and authorizing the Utility to access the NDT for up to \$187.8 million on decommissioning planning activities. On October 4, 2019, the Utility submitted supplemental testimony to the NRC addressing how it proposes to modify its request in light of the NRC exemption and the Utility's proposed disposition of and ratemaking treatment of the planned Baywood Feed, a 12-kilovolt transmission line.

On October 24, 2019, the Utility and TURN requested a suspension of the procedural schedule in order to allow parties to continue settlement discussions. On January 10, 2020, the settlement agreement that the parties had reached was filed with the CPUC, along with a joint motion for adoption of settlement agreement.

Under the proposed settlement agreement, the Utility would collect annual revenue requirements of \$112.5 million and \$3.9 million over for the funding of the Diablo Canyon tax qualified trust and Humboldt Bay tax qualified trust, respectively, commencing January 1, 2020. Additionally, under the proposed settlement agreement, the \$398.4 million spent for Humboldt Bay Power Plant decommissioning project costs completed to date would be deemed reasonable.

The Utility is unable to determine the timing and outcome of this proceeding.

#### **Petition for Modification of CPUC Decision Approving Retirement of Diablo Canyon Power Plant**

On June 20, 2016, the Utility entered into a joint proposal with certain parties, including the Alliance for Nuclear Responsibility, to retire Diablo Canyon's two nuclear power reactor units at the expiration of their current operating licenses in 2024 and 2025. On January 11, 2018, the CPUC approved the planned retirement by 2024 and 2025, but required legislative authorization for certain key aspects of the joint proposal. On November 29, 2018, in response to SB 1090, the CPUC issued a further decision addressing the key remaining goals of the Diablo Canyon joint proposal agreement.

On October 1, 2019, the Alliance for Nuclear Responsibility filed a PFM of the CPUC's January 11, 2018 decision approving the planned retirement of Diablo Canyon. The PFM argues that above-market costs attributable to Diablo Canyon under the Power Charge Indifference Adjustment methodology, when combined with decreasing bundled load by the Utility, create material changed circumstances that undermine the reasonableness of incurring costs to operate Diablo Canyon until its retirement. On October 31, 2019, the Utility filed a joint response with Friends of the Earth, Natural Resources Defense Council, CUE, and IBEW Local 1245, which argued that modification of the CPUC's initial decision is not warranted and is not in the public interest. On February 7, 2020, the ALJ issued a PD denying the Alliance for Nuclear Responsibility's PFM. The CPUC decision on the PD is anticipated no later than March 2020.

#### **Wildfire Expense Memorandum Account**

On June 21, 2018, the CPUC issued a decision granting the Utility's request to establish a WEMA to track specific incremental wildfire liability costs effective as of July 26, 2017. In the WEMA, the Utility can record costs related to wildfires, including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expenses paid by the Utility but excluding costs that have already been forecasted and adopted in the Utility's GRC; (2) outside legal costs incurred in the defense of wildfire claims; (3) insurance premium costs not in rates; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, or through FERC authorized rates, will be credited to the WEMA as they are received. The WEMA will not include the Utility's costs for fire response and infrastructure costs, which are tracked in the CEMA. The decision does not grant the Utility rate recovery of any wildfire-related costs. Any such rate recovery would require CPUC authorization in a separate proceeding. (See Notes 4 and 14 of the Notes to the Consolidated Financial Statements in Item 8.)

As of December 31, 2019, the Consolidated Financial Statements include long-term regulatory assets, consisting of insurance premium costs that are probable of recovery (see "Long-Term Regulatory Assets" in Note 4 of the Notes to the Consolidated Financial Statements in Item 1). Should PG&E Corporation and the Utility conclude in future periods that recovery of insurance premiums in excess of amounts included in authorized revenue requirements is no longer probable, PG&E Corporation and the Utility will record a charge in the period such conclusion is reached.

#### **Catastrophic Event Memorandum Account Applications**

The CPUC allows utilities to recover the reasonable, incremental costs of responding to catastrophic events that have been declared a disaster or state of emergency by competent federal or state authorities through a CEMA. In 2014, the CPUC directed the Utility to perform additional fire prevention and vegetation management work in response to the severe drought in California. The costs associated with this work are tracked in the CEMA. The Utility's CEMA applications are subject to CPUC review and approval. For more information see Note 4 of the Notes to the Consolidated Financial Statements in Item 8.

#### **2019 CEMA Application**

On September 13, 2019, the Utility submitted to the CPUC its 2019 CEMA application requesting cost recovery of \$159.3 million in connection with thirteen catastrophic events that included twelve wildfires and one storm for declared emergencies from mid-2017 through 2018. The 2019 CEMA application does not include costs related to the 2015 Butte fire, the 2017 Northern California wildfires, or the 2018 Camp fire. A prehearing conference was held on November 4, 2019 and a scoping memo was issued on December 6, 2019.

PG&E Corporation and the Utility are unable to predict the timing and outcome of this overall proceeding.

### **2018 CEMA Application**

On March 30, 2018, the Utility submitted to the CPUC its 2018 CEMA application requesting cost recovery of \$183 million in connection with seven catastrophic events that included fire and storm declared emergencies from mid-2016 through early 2017, as well as \$405 million related to work performed in 2016 and 2017 to cut back or remove dead or dying trees that were exposed to years of drought conditions and bark beetle infestation. The 2018 CEMA application originally sought cost recovery of \$555 million on a forecast basis, for additional tree mortality and fire risk mitigation work anticipated in 2018 and 2019, subject to true-up if actual costs were greater or less than the forecast. However, on April 25, 2019, the CPUC adopted a decision denying cost recovery on a forecast basis for the 2018 and 2019 costs requested.

On April 25, 2019, the CPUC approved the Utility's request for interim rate relief, allowing for recovery of \$373 million of costs (63% of the total costs incurred in 2016 and 2017), compared to \$588 million requested by the Utility. The interim rate relief was implemented on October 1, 2019. Costs included in the interim rate relief are subject to audit and refund. On August 7, 2019, the Utility filed a Revised Application, Revised Testimony and Revised Workpapers, reflecting a new revenue requirement request of \$669 million, pursuant to CPUC ruling allowing these changes. The \$669 million incorporates (i) the removal of forecast tree mortality costs (reduction of approximately \$555 million); (ii) inclusion of the 2018 Tree Mortality and Fire Risk Reduction activities (increase of approximately \$90 million); and (iii) other corrections and updates found since the filing (reduction of approximately \$9 million), as compared to the Utility's original request of \$1.14 billion.

The 2018 CEMA application does not include costs related to the 2015 Butte fire, the 2017 Northern California wildfires, or the 2018 Camp fire.

The Utility is unable to predict the timing and outcome of this proceeding.

### **Fire Hazard Prevention Memorandum Account**

The CPUC allows utilities to track and record costs associated with implementing regulations and requirements adopted to protect the public from potential fire hazards associated with overhead power line facilities and nearby aerial communication facilities that have not been previously authorized in another proceeding. The Utility tracked such costs in the FHPMA through the end of 2019.

On December 17, 2019, the Utility, the SED of the CPUC, the CPUC's Office of the Safety Advocate, and CUE jointly submitted to the CPUC a proposed settlement agreement in connection with the OII into the 2017 Northern California Wildfires and the 2018 Camp Fire. Pursuant to the settlement agreement, the Utility agrees, among other things, to not seek recovery of \$36 million of wildfire-related expenses recorded in the FHPMA. For more information on the settlement agreement, see Note 15 of the Notes to the Consolidated Financial Statements.

Other than the amounts subject to the settlement agreement in connection with the OII into the 2017 Northern California Wildfires and the 2018 Camp Fire, the Utility believes such costs are recoverable but rate recovery requires CPUC reasonableness review and authorization in a separate proceeding or through a GRC.

For the amount recorded to this memorandum account as of December 31, 2019, see Note 4 of the Notes to the Consolidated Financial Statements in Item 8.

### **Fire Risk Mitigation Memorandum Account**

On March 12, 2019, the CPUC approved the Utility's FRMMA to track costs incurred beginning January 1, 2019, for fire risk mitigation activities that are not otherwise covered in revenue requirements. The FRMMA was authorized by SB 901 and AB 1054 to capture mitigation costs of activities not included in a CPUC approved Wildfire Mitigation Plan. The Utility has proposed that the FRMMA continue after the approval of its 2019 Wildfire Mitigation Plan to record costs of wildfire mitigation activities that were beyond the initial identified scope of work.

On December 17, 2019, the Utility, the SED of the CPUC, the CPUC's Office of the Safety Advocate, and CUE jointly submitted to the CPUC a proposed settlement agreement in connection with the OII into the 2017 Northern California Wildfires and the 2018 Camp Fire. Pursuant to the settlement agreement, the Utility agrees, among other things, to not seek recovery of \$236 million of wildfire-related expenses recorded in the FRMMA and the WMPMA. For more information on the settlement agreement, see Note 15 of the Notes to the Consolidated Financial Statements.



Other than the amounts subject to the settlement agreement in connection with the OII into the 2017 Northern California Wildfires and the 2018 Camp Fire, the Utility intends to seek recovery of the FRMMA balance in a future application, which rate recovery requires CPUC reasonableness review and authorization in a separate proceeding or through a GRC. PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows could be materially affected if the Utility is unable to timely recover costs in connection with the 2019 Wildfire Mitigation Plan recorded in the FRMMA, which the Utility expects will be substantial.

For the amount recorded to this memorandum account as of December 31, 2019, see Note 4 of the Notes to the Consolidated Financial Statements in Item 8.

#### **Wildfire Mitigation Plan Memorandum Account**

On June 5, 2019, the Utility submitted an advice letter to establish the WMPMA (also called the Wildfire Plan Memorandum Account) effective May 30, 2019. The purpose of the WMPMA is to track costs incurred to implement the Utility's Wildfire Mitigation Plan, as required by Public Utilities Code Sections 8386 et seq, as modified by SB 901 and subsequent bills including AB 1054, AB 111, SB 70, SB 167, SB 247, and SB 560. The WMPMA is required to be established upon approval of a utility's wildfire mitigation plan to track costs incurred to implement the plan. The CPUC approved the memorandum account on August 5, 2019, so the Utility will record any costs incurred in implementing an approved Wildfire Mitigation Plan as of the effective date, June 5, 2019.

On December 17, 2019, the Utility, the SED of the CPUC, the CPUC's Office of the Safety Advocate, and CUE jointly submitted to the CPUC a proposed settlement agreement in connection with the OII into the 2017 Northern California Wildfires and the 2018 Camp Fire. Pursuant to the settlement agreement, the Utility agrees, among other things, to not seek recovery of \$236 million of wildfire-related expenses recorded in the FRMMA and the WMPMA. For more information on the settlement agreement, see Note 15 of the Notes to the Consolidated Financial Statements.

Other than the amounts subject to the settlement agreement in connection with the OII into the 2017 Northern California Wildfires and the 2018 Camp Fire, the Utility anticipates that the recovery of the costs recorded to the WMPMA would occur through a general rate case or future application at which time the CPUC would review the costs for reasonableness as required by SB 901. PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows could be materially affected if the Utility is unable to timely recover costs in connection with the 2019 Wildfire Mitigation Plan recorded in the WMPMA, which the Utility expects will be substantial.

For the amount recorded to this memorandum account as of December 31, 2019, see Note 4 of the Notes to the Consolidated Financial Statements in Item 8.

#### **Other Regulatory Proceedings**

##### ***2019 Wildfire Mitigation Plan***

On October 25, 2018, the CPUC opened an OIR to implement the provisions of SB 901 related to electric utility wildfire mitigation plans. This OIR provided guidance on the form and content of the initial wildfire mitigation plans, provided a venue for review of the initial plans, and developed and refined the content of and process for review and implementation of wildfire mitigation plans to be filed in future years. In this proceeding the CPUC determined, among other things, how to interpret and apply SB 901's list of required plan elements, as well as what additional elements beyond those required in SB 901 should be included in the wildfire mitigation plans. SB 901 also requires, among other things, that such plans include a description of the preventive strategies and programs to be adopted by an electrical corporation to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including the consideration of dynamic climate change risks, plans for vegetation management, and plans for inspections of the electrical corporation's electrical infrastructure. The scope of this proceeding does not include utility recovery of costs related to wildfire mitigation plans, which SB 901 requires to be addressed in separate rate recovery applications.

On February 6, 2019, the Utility filed its wildfire mitigation plan (the “2019 Wildfire Mitigation Plan”) with the CPUC. The 2019 Wildfire Mitigation Plan describes forecasted work and investments in 2019 that are designed to help further reduce the potential for wildfire ignitions associated with the Utility’s electrical equipment in high fire-threat areas. The 2019 Wildfire Mitigation Plan includes measures the Utility proposed to take in 2019 and longer-term plans, subject to further modifications, as follows:

- installing approximately 600 new, high-definition cameras, made available to Cal Fire and local fire officials, in high fire-threat areas by 2022, increasing coverage across high fire-threat areas to more than 90%;
- adding approximately 1,300 additional new weather stations by 2022, at a density of one station roughly every 20 circuit miles in high fire-threat areas;
- conducting enhanced safety inspections of electric infrastructure in high-fire threat areas, including approximately 735,000 electric towers and poles across approximately 5,700 transmission line miles and 25,200 distribution line miles;
- further enhancing vegetation management efforts across high and extreme fire-threat areas to address vegetation that poses higher potential for wildfire risk, such as removing or trimming trees from particular “at-risk” tree species that have exhibited a higher pattern of failing;
- continuing to disable automatic reclosing in high fire-threat areas during wildfire season and periods of high fire-risk and upgrading reclosers and circuit breakers in high fire-threat areas with remote control capabilities;
- expanding the PSPS to include all transmission and distribution lines in Tier 2 and Tier 3 High Fire-Threat District areas;
- installing stronger and more resilient poles and covered power lines, including targeted undergrounding, starting in areas with the highest fire risk, ultimately upgrading and strengthening approximately 7,100 miles over the next 10 years; and
- partnering with additional communities in high fire-threat areas to create new resilience zones that can power central community resources during a PSPS.

On February 12, February 14, and April 25, 2019, the Utility filed amendments to the 2019 Wildfire Mitigation Plan with the CPUC to correct inadvertent errors in the cost table attached to the 2019 Wildfire Mitigation Plan; refine language in the 2019 Wildfire Mitigation Plan; and modify certain 2019 Wildfire Mitigation Plan targets.

On May 30, 2019, the CPUC adopted a decision that generally approved the Utility’s 2019 Wildfire Mitigation plan as amended February 14, 2019, subject to certain reporting, data gathering, and other requirements set forth in the decision. Also, on May 30, 2019, the Utility adopted another decision regarding California IOUs wildfire mitigation plans, that among other things, includes additional reporting, data gathering, and other requirements.

On June 14, 2019, the assigned commissioner and ALJ issued a decision implementing Phase 2 of the OIR, announcing Phase 2 workshops. The decision also announced that the CPUC would evaluate the Utility’s April 25th amendment in Phase 2, as well as the process for independent evaluation of the Utility’s compliance with its 2019 plan.

On August 23, 2019, the CPUC approved the Utility’s Initial Safety Certification, which under AB 1054 entitles the Utility to certain benefits, including eligibility for a cap on wildfire fund reimbursement and for a reformed prudent manager standard. The Utility satisfied the required elements for its Initial Safety Certificate, as follows: (i) the electrical corporation has an approved wildfire mitigation plan, (ii) the electrical corporation is in good standing, which can be satisfied by the electrical corporation having agreed to implement the findings of its most recent safety culture assessment, if applicable, (iii) the electrical corporation has established a safety committee of its board of directors composed of members with relevant safety experience, and (iv) the electrical corporation has established board-of-director-level reporting to the CPUC on safety issues. The Initial Safety Certification is valid for twelve months.

On September 18, 2019, the CPUC issued a scoping memo and ruling for Phase 2 setting the scope and procedural schedule. On December 16, 2019, the CPUC issued a ruling proposing WMP templates and evaluative materials on which the CPUC would rely for 2020 wildfire mitigation plans. These included WMP Guidelines, a maturity model, a utility survey, WMP metrics, and a supplemental data request. The utilities are required to complete the WMP Guidelines and the utility survey when submitting the 2020 WMP. Since December 16, 2019, the CPUC has held a number of workshops and issued clarifications of the December 16, 2019 materials.

On February 5, 2020, the assigned ALJ issued a PD in Phase 2 of this proceeding on electrical corporations' wildfire mitigation plans. It resolves one Phase 2 issue by requiring all electrical corporations to conduct outreach to communities and the public before, during, and after a wildfire. If adopted, the PD would clarify among other things where the additional Phase 2 issues will be resolved: the CPUC's newly created Wildfire Safety Division would review 2020 wildfire mitigation plans, present resolutions for CPUC consideration on the 2020 Plans, and oversee independent evaluation and other compliance activity with regard to both 2019 and 2020 Plans. Opening and reply comments are due on February 25, 2020 and March 2, 2020, respectively. The CPUC decision on the PD is expected no later than March 2020.

### ***2020-2022 Wildfire Mitigation Plan***

On February 7, 2020, the Utility publicly posted its 2020 Wildfire Mitigation Plan and utility survey. The Utility's 2020 Wildfire Mitigation Plan describes the Utility's wildfire safety programs, which are focused on three key areas: reducing the potential for fires to be started by electrical equipment, reducing the potential for fires to spread, and minimizing the frequency, scope and duration of Public Safety Power Shut-off events, as well as providing historical data requested by the guidelines. The primary programs include continuing enhanced vegetation management, system hardening, system automation, the wildfire safety operations center, installing additional situational awareness tools, and public safety power shutoffs, as well as working to reduce the frequency, scope, and duration of public safety power shutoffs. The Utility plans to conduct enhanced vegetation management on approximately 1,800 miles of lines for 2020 and beyond based on insights gained from the 2019 effort. The Utility is also incorporating the enhanced inspection process and tools from the 2019 wildfire safety inspection program into the routine inspection and maintenance program. For 2020, the Utility plans the following improvements: hardening 241 line-miles for a total of 7,100 line miles over 12 to 14 years; sectionalizing 592 devices; making PSPS events fewer, smaller and shorter; installing 400 weather stations and 200 cameras; and operating additional microgrids during PSPS events. The utility survey will be used to collect information relevant to track the utility's capabilities in reducing wildfire risk and corresponding maturity levels over time. Along with other inputs, responses to the survey will establish a baseline maturity in 2020 and a target maturity for 2023.

PG&E Corporation and the Utility expect the CPUC to issue a decision on its 2020-2022 WMP by June 2020. PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows could be materially affected if the Utility is unable to timely recover costs in connection with the 2019 Wildfire Mitigation Plan, and the 2020-2022 Wildfire Mitigation Plan recorded in the FRMMA and WMPMA, which the Utility expects will be substantial.

### ***OIR Regarding Microgrids***

On September 19, 2019, the CPUC initiated a rulemaking proceeding to examine microgrid implementation issues and resiliency strategies pursuant to SB 1339. In the first track of that proceeding, the CPUC is seeking to deploy resiliency planning in areas that are prone to outage events and wildfires, with the stated goal of putting some microgrid and other resiliency strategies in place by Spring or Summer 2020, if not sooner. A decision giving direction for mitigation measures ready for implementation by September 1, 2020 is expected in Spring 2020. At the CPUC's direction, the Utility submitted a proposal for immediate implementation of resiliency strategies on January 21, 2020. The Utility's proposal contains three components for which it is seeking scope and cost recovery authorization of up to approximately \$379 million in both expense and capital. These include:

- a make-ready program to invest in the infrastructure needed to allow high-priority substations and associated downstream infrastructure to operate as microgrids through the use of distributed generation ("DG"). The Utility is also conducting a Request for Offers for permanent DG to serve these substations and plans to file for cost recovery and approval of any executed contracts for permanent generation through a separate CPUC proceeding;
- a temporary generation program to provide mobile, temporarily-sited DG at substations, mid-feeder line segments serving commercial corridors and critical facilities, and single-customer critical facilities during PSPS events; and
- a community microgrid enablement program to provide incremental technical and financial support on a prioritized basis for community-requested microgrids for PSPS shutoff mitigation purposes.

Failure to obtain a substantial or full recovery of any costs incurred prior to the CPUC approval related to these proposals could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows.

***OIR Regarding Criteria and Methodology for Wildfire Cost Recovery Pursuant to Senate Bill 901***

SB 901, signed into law on September 21, 2018, requires the CPUC to establish a CHT, directing the CPUC to limit certain disallowances in the aggregate, so that they do not exceed the maximum amount that the Utility can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service. SB 901 also authorizes the CPUC to issue a financing order that permits recovery, through the issuance of recovery bonds (also referred to as "securitization"), of wildfire-related costs found to be just and reasonable by the CPUC and, only for the 2017 Northern California wildfires, any amounts in excess of the CHT. SB 901 does not authorize securitization with respect to possible 2018 Camp fire costs.

On January 10, 2019, the CPUC adopted an OIR, which establishes a process to develop criteria and a methodology to inform determinations of the CHT in future applications under Section 451.2(a) of the Public Utilities Code for recovery of costs related to the 2017 Northern California wildfires.

On March 29, 2019, the assigned commissioner issued a scoping memo, which confirmed that the CPUC in this proceeding would establish a CHT methodology applicable only to 2017 fires, to be invoked in connection with a future application for cost recovery, and would not determine a specific financial outcome in this proceeding.

On July 8, 2019, the CPUC issued a decision in the CHT proceeding. The CPUC decision provides that "[a]n electrical corporation that has filed for relief under chapter 11 of the Bankruptcy Code may not access the Stress Test to recover costs in an application under Section 451.2(b), because the Commission cannot determine the corporation's 'financial status,' which includes, among other considerations, its capital structure, liquidity needs, and liabilities, as required by Section 451.2(b)." This determination effectively bars PG&E Corporation and the Utility from access to relief under the CHT during the pendency of the Chapter 11 Cases. On August 7, 2019, the Utility submitted to the CPUC an application for rehearing of the decision. The Utility indicated in its application, among other things, that the CPUC's decision "is contrary to law because it bars a utility that has filed for Chapter 11 from accessing the CHT, requires a utility to file a cost recovery application before the CHT will be determined, and erects ratepayer protection mechanisms as an extra-statutory hurdle for accessing the CHT." The Utility also argued that the CPUC should apply the CHT methodology to costs related to the 2018 Camp fire.

The decision otherwise adopts a methodology to determine the CHT based on: (1) the maximum additional debt that a utility can take on and maintain a minimum investment grade credit rating; (2) excess cash available to the utility; (3) a potential maximum regulatory adjustment of either 20% of the CHT or 5% of the total disallowed wildfire liabilities, whichever is greater; and (4) an adjustment to preserve for ratepayers any tax benefits associated with the CHT. The decision also requires a utility to include proposed ratepayer protection measures to mitigate harm to ratepayers as part of an application under section 451.2(b).

Failure to obtain a substantial or full recovery of costs related to wildfires could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows.

***OII to Consider PG&E Corporation's and the Utility's Proposed Plan of Reorganization***

On October 4, 2019, the CPUC issued an OII to consider the ratemaking and other implications "that will result from the confirmation of a plan of reorganization and other regulatory approvals necessary to resolve" the Chapter 11 Cases (the "Chapter 11 Proceedings OII"). The Chapter 11 Proceedings OII indicates that the proceeding will "afford parties the opportunity to be heard and comment on" any CPUC "regulatory review resulting from a proposed plan of reorganization (including any amendments) filed with the Commission, any proposed settlement agreement resolving [the Chapter 11 Cases] between PG&E and Commission staff filed in connection with a plan, any regulatory approvals required pursuant to Public Utilities Code Section 3292 in order for PG&E to become eligible to participate in the wildfire fund established pursuant to Assembly Bill 1054 (AB) 1054, any other regulatory approvals required by AB 1054, and any other matters that may need to be decided by [the CPUC] in connection with a plan." The OII anticipates that the proceeding "will serve as a venue for review of a proposed plan and all attendant issues identified as within the scope of this proceeding." The CPUC "expects to render its decision sufficiently in advance of the June 30, 2020 statutory deadline contained in AB 1054 to allow the Bankruptcy Court to address and approve any modifications made to the plan pursuant to Commission orders."

On November 14, 2019, the assigned commissioner issued a scoping memo which divided the proceeding into two phases, first addressing non-financial issues (which include safety governance, climate goals, procurement, and other non-financial issues) and then financial issues (which include ratemaking, fines and penalties, financial governance, and other financial issues). After holding a status conference on December 20, 2019, the ALJ issued a ruling on December 27, 2019 modifying the schedule. That ruling re-combined the two phases of the proceeding such that financial and non-financial issues will be considered together. On January 16, 2020, the Utility filed a motion to further modify the schedule, which the ALJ granted in part. Pursuant to that modified schedule, on January 31, 2020, the Utility submitted testimony to the CPUC. The Utility's testimony outlined key elements of the company's updated Chapter 11 plan of reorganization, including, but not limited to, key aspects of the Utility's governance structure; implementing a plan to regionalize the company's operations; appointing an independent safety advisor; strengthening the roles of the Chief Risk Officer and the Chief Safety Officer; utilizing an Independent Safety Oversight Committee with non-PG&E Corporation and non-Utility employees to provide independent review of the company's operations; paying value in excess of \$25.5 billion to wildfire victims through the settlements reached; and emerging with a financing structure that seeks to protect customer rates and position the company for long term success. Reply testimony was due February 14, 2020, evidentiary hearings are scheduled for February 19-28, 2020, and post-hearing briefing is scheduled for March 2020.

On January 22, 2020, the Utility entered into a RSA with members of the Ad Hoc Committee of Senior Unsecured Noteholders of the Utility and, consistent with that agreement, on January 23, 2020, the Ad Hoc Committee of Senior Unsecured Noteholders of the Utility filed a motion to withdraw from the proceeding. On January 30, 2020, the ALJ issued a ruling allowing the Ad Hoc Committee of Senior Unsecured Noteholders to withdraw as a party.

### ***Wildfire Fund Non-Bypassable Charge***

In response to directives in AB 1054, on July 26, 2019, the CPUC opened a new rulemaking to consider the authorization of a non-bypassable charge to support the Wildfire Fund. On October 24, 2019, the CPUC issued a final decision finding that the imposition of the non-bypassable charge is just and reasonable. In addition, the decision affirmed that the Utility and its customers will not pay an allocated share of the adopted wildfire charge revenue requirement unless and until the Utility participates in the Wildfire Fund. The decision also continues the same allocation of the wildfire charge revenue requirement among the investor-owned utilities as previously adopted for the Department of Water Resources power and bond charge revenue requirements. The decision proposes revenue requirements for the Utility of \$404.6 million, which is based on average annual collections and shall expire at the end of the year 2035.

On November 25, 2019, an individual intervenor filed an application for rehearing of the decision arguing that the decision constitutes a constitutional violation of procedural due process and an unjust and unreasonable rate increase. On December 10, 2019, the Utility, along with San Diego Gas and Electric Company and Southern California Edison Company argued that due process rights were not violated and the CPUC appropriately determined the non-bypassable charge is just and reasonable.

### ***Transportation Electrification***

SB 350 requires the CPUC, in consultation with the California Air Resources Board and the CEC, to direct electrical corporations to file applications for programs and investments to accelerate widespread TE. In September 2016, the CPUC directed the Utility and the other large IOUs to file TE applications that include both short-term projects (of up to \$20 million in total) and two-to-five year programs with a requested revenue requirement determined by the Utility.

On May 31, 2018, the CPUC issued a final decision approving the Utility's two-to-five year program proposals for actual expenditures up to approximately \$269 million (including \$198 million of capital expenditures), to support utility-owned make-ready infrastructure supporting public fast charging and medium to heavy-duty fleets. In the EV Fleet program, the Utility has a goal of providing make-ready infrastructure at 700 sites supporting 6,500 vehicles, conducting operation and maintenance of installed infrastructure, and educating customers on the benefits of electric vehicles. The final decision gives customers the option of self-funding, installing, owning, and maintaining the make-ready infrastructure installed beyond the customer meter in lieu of utility ownership, after which they would receive a utility rebate for a portion of those costs. The EV Fast Charge program has a goal to install utility-owned make-ready infrastructure at approximately 52 public charging sites amounting to roughly 234 DC fast chargers.

On December 19, 2018, the CPUC initiated a new Rulemaking for vehicle electrification matters (R.18-12-006). This new proceeding will include issues related to utility rate designs supporting transportation electrification and hydrogen fueling stations, a framework for IOUs' transportation electrification investments, and vehicle-grid integration. A prehearing conference for this rulemaking was held on March 1, 2019. On May 2, 2019, the assigned commissioner issued a scoping memo and ruling for the proceeding, which sets forth the category, issues to be addressed, and schedule of the proceeding.

### ***Electric Distribution Resources Plan***

As required by California law, on July 1, 2015, the Utility filed its proposed electric DRP for approval by the CPUC. The Utility's DRP identifies its approach for identifying optimal locations on its electric distribution system for deployment of DERs. The Utility's DRP approach is designed to allow distributed energy technologies to be integrated into the larger grid, while continuing to provide customers with safe, reliable, and affordable electric service.

On June 1, 2018 and on September 4, 2018, the Utility filed with the CPUC its first annual distribution grid needs assessment report and its first distribution deferral opportunity report, respectively. On February 5, 2019, the CPUC approved the Utility's proposal to competitively procure distribution services from third-party owned DERs to defer selected distribution projects as identified in the Utility's first annual distribution deferral report. On December 2, 2019, the Utility filed for approval of three executed DER contracts related to two deferral opportunities. The Utility's second annual distribution grid assessment, and distribution deferral opportunity report, were filed on August 15, 2019. On December 16, 2019, the CPUC approved the Utility's proposal to competitively procure distribution services from third-party owned DERs to defer selected distribution projects as identified in the Utility's second annual distribution deferral opportunity report.

On March 26, 2018, the CPUC issued a final decision requiring the Utility to include a grid modernization plan for integrating DERs in the Utility's GRC. On December 13, 2018, the Utility filed its 2020 GRC Application, which includes the Utility's grid modernization plan.

### ***OIR to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas Planning***

On January 16, 2020, the CPUC opened an OIR to address reliability and compliance standards for gas public utilities and impacts due to legislative mandates to address the greenhouse gas reduction emissions which will result in the replacement of gas-fuel technologies and reduced demand for natural gas. This proceeding will examine whether recent industry related events will require the CPUC to change the rules, processes and regulations governing gas utilities, including but not limited to, gas reliability standards, long-term contracting, regulatory accounting, reporting and tariff changes for operational flow orders.

This proceeding is expected to have three phases: Track 1A - System Reliability Standards, Track 1B - Market Structure and Regulations and Track 2 - Long Term Natural Gas Policy and Planning. Additionally, in Track 2, the CPUC will examine to what extent the projected gas demand reduction will require regulatory changes, such as shortening the useful life of gas assets, to ensure gas transmission costs are fairly allocated and that stranded costs are mitigated. The CPUC expects to issue a preliminary scoping memo and decision for each track.

Tracks 1A and 1B are expected to be completed within 18 months. Track 2 is expected to be resolved within 31 months in order to resolve issues to be considered in Track 1A and 1B and coordinate with other regulatory proceedings. This proceeding has been preliminarily designated as quasi-legislative. Evidentiary hearings may be necessary for Track 1A and Track 2. The Utility may file and serve opening comments on the preliminary scope no later than February 26, 2020 and reply comments on March 12, 2020.

### ***OIR to Consider Strategies and Guidance for Climate Change Adaptation***

On April 26, 2018, the CPUC opened an OIR to consider strategies for integrating climate change adaptation matters into relevant CPUC proceedings. On October 10, 2018, the CPUC issued a scoping memo, establishing two phases for this proceeding, and determined a procedural schedule. Scope of phase one covers five topics regarding how to integrate climate change adaptation into the IOUs' existing planning and operations to avoid or mitigate projected utility safety and reliability vulnerability to forecasted climate change impacts. Phase 2 will be scoped at a later time, but it is not expected to apply to the Utility. On October 24, 2019, the CPUC adopted a final decision extending the statutory deadline of this proceeding to September 30, 2020.

On October 24, 2019, the CPUC adopted a final decision on a portion of phase one (Topic 1 and 2), defining climate change adaptation for California’s energy utilities as “adjustment in natural and human systems to a new or changing environment. Adaptation to climate change for energy utilities regulated by the CPUC refers to adjustment in utility systems using strategic and data-driven consideration of actual or expected climatic impacts and stimuli or their effects on utility planning, facilities maintenance and construction, and communications, to maintain safe, reliable, affordable and resilient operations.” In addition, this decision provides guidance on what data should be used by the investor-owned utilities to perform all climate impact, climate risk, and climate vulnerability analyses undertaken with respect to their infrastructure assets, operations, and customer impacts. Finally, this decision requires the energy utilities to adhere to the same climate scenarios and projections used in the most recent California Statewide Climate Change Assessment when analyzing climate impacts, climate risk, and climate vulnerability of utility systems, operations, and customers.

The remaining topics in phase one of this proceeding are still under consideration and will be subject to a separate decision. Those issues include: guidance on how climate adaptation should be incorporated into the investor-owned utilities’ investment plans, program design, and operations; how climate change might affect vulnerable and disadvantaged communities; and into which specific CPUC proceedings and activities climate adaptation should be incorporated, including development of specific procedures. The CPUC decision on such issues is anticipated no earlier than mid-2020.

***OIR to Examine Utility De-energization of Power Lines in Dangerous Conditions***

On December 13, 2018, the CPUC opened an OIR to examine the notification, mitigation, and reporting requirements on electric utilities when de-energizing power lines in case of dangerous conditions that threaten life or property in California. This proceeding has focused on the following issues:

- examining conditions in which proactive and planned de-energization is practiced;
- developing best practices and ensuring an orderly and effective set of criteria for evaluating de-energization programs;
- ensuring electric utilities coordinate with state and local level first responders, and align their systems with the Standardized Emergency Management System framework;
- mitigating the impact of de-energization on vulnerable populations;
- examining whether there are ways to reduce the need for de-energization;
- ensuring effective notice to affected stakeholders of possible de-energization and follow-up notice of actual de-energization; and
- ensuring consistency in notice and reporting of de-energization events.

On May 30, 2019, the CPUC approved a decision for phase one of this proceeding, which adopted de-energization communication and notification guidelines for the electric IOUs along with updates to requirements established in Resolution ESRB-8. The CPUC also provided clarity on phase two issues; however, a final determination of phase two issues will be conveyed in the phase two scoping memo. Phase two will take a more comprehensive look at de-energization practices, including mitigation, additional coordination across agencies, further refinements to findings in phase one, re-energization practices, and other matters.

On August 14, 2019, the former CPUC president issued a phase two scoping memo. However, subsequent to the October PSPS events, on November 1, 2019, the ALJ issued a ruling suspending the schedule and scope of the proceeding and indicating that the current CPUC president will issue an amended phase two scoping memo in the near future in order to refocus the direction of the proceeding.

On December 19, 2019, CPUC president and newly assigned commissioner issued an amended Phase 2 scoping memo and ruling. Pursuant to the ruling, the issues to be considered in the amended Phase 2 include:

- updates or changes to existing PSPS guidelines to promote public safety in advance of the 2020 wildfire season;

- proposed guidelines related to a variety of topics including (1) server and website capacity; (2) identification of transit corridors and critical transportation infrastructure dependent on back-up generation during a PSPS event; (3) operations and locations of Community Resource Centers; (4) possible creation of a wildfire safety community advisory board for each utility; (5) PSPS planning exercises in advance of wildfire season; (6) communication and notification during PSPS events when communication services may be disrupted; (7) assistance to medical baseline customers in the near term; (8) plans to better execute identification, communication, and contact with vulnerable populations that may not be considered medical baseline.

On January 30, 2020, the CPUC proposed new guidelines. Parties are given the opportunity to submit opening and reply comments on the guidelines on February 19, 2020 and February 26, 2020, respectively. A proposed decision is anticipated in May 2020.

The Utility is unable to predict the outcome of this proceeding.

***Order to Show Cause Against the Utility Related to Implementation of the October 2019 PSPS Events***

On November 12, 2019, the assigned commissioner and ALJ in the OIR to Examine Utility De-energization of Power Lines in Dangerous Conditions issued an order to show cause directing the Utility to show cause why it should not be sanctioned for violations of law or CPUC decisions related to the PSPS events of October 9-12, 2019 and October 23-November 1, 2019.

A prehearing conference was held on December 4, 2019, and the assigned commissioner and ALJ issued a ruling on December 23, 2019 and set forth issues to be determined in the order to show cause, including related to failures associated with the Utility’s website, online maps, data transfer portal, advanced notice to customers, and staffing at its call centers in connection with its October 9-12, PSPS event, as well as advance notice to customers in connection with the October 23-25, 2019 and the October 26-November 1, 2019 PSPS event.

The Utility filed its testimony with the CPUC on February 5, 2020. Parties’ testimony is due February 28, 2020; concurrent rebuttal is due March 16, 2020; and hearings, if necessary, will be held April 1-3, 2020.

The Utility is unable to predict the timing or outcome of this proceeding.

***OII to Examine the Late 2019 Public Safety Power Shutoff Events***

On November 13, 2019, the CPUC issued an OII to determine “whether California’s investor-owned utilities prioritized safety and complied with the Commission’s regulations and requirements with respect to their Public Safety Power Shutoff (PSPS) events in late 2019.” The first phase of this proceeding will assess for each utility, among other things, (1) the effectiveness of the utility’s procedures to notify the public of the PSPS events, (2) the utility’s communication and coordination with first responders, local jurisdictions and state agencies, and (3) the utility’s management of its resources to ensure public safety. In later phases of this proceeding, the CPUC may consider taking action if it finds violations of statutes or its decisions or general orders have been committed and to enforce compliance, if necessary.

The Utility is unable to predict the timing or outcome of this proceeding.

***Power Charge Indifference Adjustment OIR***

In 2017, the CPUC initiated the PCIA Rulemaking to make refinements to the PCIA, a cost recovery mechanism to ensure that customers that leave the Utility’s bundled service for a non-Utility provider pay their fair share of the above market costs associated with long-term power purchase commitments and Utility-owned generation made on their behalf. The above market costs of the Utility’s generation portfolio are calculated using benchmarks for energy, resource adequacy (RA) and RPS attributes. On October 11, 2018, the CPUC approved a phase one decision to modify the PCIA methodology establishing:

- calculation of the PCIA rate using benchmark values that more closely resemble actual market prices for RA and RPS;
- continued recovery of legacy Utility-owned generation costs from departed load customers;
- elimination of the 10-year limit on PCIA cost recovery for post-2002 Utility owned generation and certain storage costs; and
- an annual true-up of the PCIA rate based on actual market revenues.



The Utility implemented a revised PCIA reflecting this decision in rates as of July 1, 2019.

On December 19, 2018, the CPUC initiated Phase 2 of the PCIA proceeding to address unresolved issues from phase one, separated into three Working Groups. In Working Group 1, the CPUC directed parties to (1) establish the method to annually update the RA and RPS price benchmarks, (2) determine the process for the annual true-up of PCIA rates to reflect actual market outcomes, and (3) determine the proper billing factors for setting the PCIA rate. A PD was issued on September 6, 2019. On October 10, 2019, the CPUC approved a final decision that:

- approves a methodology for annually setting the price benchmark for RA and RPS based on market transactions of all load-serving entities occurring within the past 12 months;
- values any unsold RA and RPS attributes at zero for calculating the PCIA true-up at year end, meaning that bundled customers are not responsible for paying for RA and RPS attributes that are not needed for compliance; and
- establishes that the PCIA rates shall be calculated using the forecasted sales of customers in a particular billing group, rather than using system-level sales, to prevent a persistent under-collection of PCIA rates.

In Working Group 2, the CPUC directed parties to develop a framework evaluating and approving a PCIA prepayment framework, whereby departed load customers could eliminate their PCIA obligation through an up-front payment. The working group issued a final report on December 9, 2019 containing proposed guiding principles that the CPUC should apply when reviewing prepayment applications. A PD is expected in the first quarter of 2020.

Lastly, in Working Group 3 the CPUC directed parties to develop structures and rules governing how the Utility addresses excess resources in its portfolio due to load loss to CCA and DA, including standards for active management of the Utility's portfolios. A PD is expected in the third quarter of 2020.

## **LEGISLATIVE AND REGULATORY INITIATIVES**

### **Senate Bill 901**

SB 901, signed into law on September 21, 2018, requires the CPUC to establish a CHT, directing the CPUC to limit certain disallowances in the aggregate, so that they do not exceed the CHT. SB 901 also authorizes the CPUC to issue a financing order that permits recovery, through the issuance of recovery bonds (also referred to as "securitization"), of wildfire-related costs found to be just and reasonable by the CPUC and, only for the 2017 Northern California wildfires, any amounts in excess of the CHT. SB 901 does not authorize securitization with respect to possible 2018 Camp fire costs.

On January 10, 2019, the CPUC adopted an OIR, which establishes a process to develop criteria and a methodology to inform determinations of the CHT in future applications under Section 451.2(a) of the Public Utilities Code for recovery of costs related to the 2017 Northern California wildfires. On March 29, 2019, the assigned commissioner issued a scoping memo, which confirmed that the CPUC in this proceeding would establish a CHT methodology applicable only to 2017 fires, to be invoked in connection with a future application for cost recovery, and would not determine a specific financial outcome in this proceeding. On July 8, 2019, the CPUC issued a decision in the OIR, which establishes a methodology to establish the CHT in future applications under Section 451.2(a), but determines that a utility that has filed for relief under Chapter 11 cannot access the CHT. On August 7, 2019, the Utility submitted to the CPUC an application for rehearing of the decision. The Utility indicated in its application, among other things, that the CPUC's decision "is contrary to law because it bars a utility that has filed for Chapter 11 from accessing the CHT, requires a utility to file a cost recovery application before the CHT will be determined, and erects ratepayer protection mechanisms as an extra-statutory hurdle for accessing the CHT." The Utility also argued that the CPUC should apply the CHT methodology to costs related to the 2018 Camp fire. (See "Regulatory Matters - OIR Regarding Criteria and Methodology for Wildfire Cost Recovery Pursuant to Senate Bill 901" above.)

In addition, SB 901 requires utilities to submit annual wildfire mitigation plans for approval by the CPUC on a schedule to be established by the CPUC. The wildfire mitigation plan must include the components specified in SB 901, such as identification and prioritization of wildfire risks, and drivers for those risks; plans for vegetation management; actions to harden the system, prepare for, and respond to events; and protocols for disabling reclosers and deenergizing the system. The CPUC has three months to approve a utility's plan, with the ability to extend the deadline. The CPUC will conduct an annual compliance review, which will be supported by an independent evaluator's report. The CPUC will complete the compliance review within 18 months. SB 901 establishes factors to be considered by the CPUC when setting penalties for failure to substantially comply with the plan. Costs associated with the wildfire mitigation plan are tracked in a memorandum account, and the costs of implementing the plan will be assessed in each utility's GRC proceeding, or other application proceedings. The Utility is unable to predict the timing or outcome of the CPUC's review of the wildfire mitigation plan, the results of the CPUC compliance review of wildfire mitigation plan implementation, or the timing or extent of cost recovery for wildfire mitigation plan activities. Subsequent bills including AB 1054, AB 111, SB 70, SB 167, SB 247, and SB 560, modified the wildfire mitigation plan requirements, including expanding the plan coverage to three years, adding additional components and requirements and transferring review of the plans to a new Wildfire Safety Division of the CPUC beginning January 1, 2020, and later to an office in the Natural Resources Agency beginning July 1, 2021.

#### **Assembly Bill 1054**

On July 12, 2019, the California Governor signed into law AB 1054, a bill which provides for the establishment of a statewide fund that will be available for eligible electric utility companies to pay eligible claims for liabilities arising from wildfires occurring after July 12, 2019 that are caused by the applicable electric utility company's equipment, subject to the terms and conditions of AB 1054. Eligible claims are claims for third party damages resulting from any such wildfires, limited to the portion of such claims that exceeds the greater of (i) \$1.0 billion in the aggregate in any calendar year and (ii) the amount of insurance coverage required to be in place for the electric utility company pursuant to section 3293 of the Public Utilities Code, added by AB 1054.

Each of California's large investor-owned electric utility companies that are not currently subject to Chapter 11 (Southern California Edison and San Diego Gas & Electric Company) has elected to participate in the Wildfire Fund to be established under AB 1054. On July 23, 2019, the Utility notified the CPUC of its intent to participate in the Wildfire Fund (which participation is subject to the conditions set forth in AB 1054, including those conditions outlined below).

The Wildfire Fund to be established under AB 1054 will be available for eligible electric utility companies to pay eligible claims for liabilities arising from wildfires occurring after July 12, 2019 that are caused by the applicable electric utility company's equipment. Electric utility companies that draw from the Wildfire Fund will only be required to repay amounts that are determined by the CPUC in an application for cost recovery not to be just and reasonable, subject to a rolling three-year disallowance cap equal to 20% of the electric utility company's transmission and distribution equity rate base. For the Utility, this disallowance cap is expected to be approximately \$2.3 billion for the three-year period starting in 2019, subject to adjustment based on changes in the Utility's total transmission and distribution equity rate base. The disallowance cap is inapplicable in certain circumstances, including if the Wildfire Fund administrator determines that the electric utility company's actions or inactions that resulted in the applicable wildfire constituted "conscious or willful disregard of the rights and safety of others," or the electric utility company fails to maintain a valid safety certification. Costs that the CPUC determines to be just and reasonable will not need to be repaid to the Wildfire Fund, resulting in a draw-down of the Wildfire Fund. The Wildfire Fund and disallowance cap will be terminated when the amounts therein are exhausted. The Wildfire Fund is expected to be capitalized with (i) \$10.5 billion of proceeds of bonds supported by a 15-year extension of the Department of Water Resources charge to ratepayers, (ii) \$7.5 billion in initial contributions from California's three investor-owned electric utility companies, and (iii) \$300 million in annual contributions paid by California's three investor-owned electric utility companies. The contributions from the investor-owned electric utility companies will be effectively borne by their respective shareholders, as they will not be permitted to recover these costs from ratepayers. The costs of the initial and annual contributions are allocated among the three investor-owned electric utility companies pursuant to a "Wildfire Fund allocation metric" set forth in AB 1054 based on land area in the applicable utility's service territory classified as high fire threat districts and adjusted to account for risk mitigation efforts. The Utility's initial Wildfire Fund allocation metric is expected to be 64.2% (representing an initial contribution of approximately \$4.8 billion and annual contributions of approximately \$193 million). In addition, all initial and annual contributions will be excluded from the measurement of the Utility's authorized capital structure. The Wildfire Fund will only be available for payment of eligible claims so long as there are sufficient funds remaining in the Wildfire Fund. Such funds could be depleted more quickly than expected, including as a result of claims made by California's other participating electric utility companies.

AB 1054 provides that the Wildfire Fund will be established when Southern California Edison and San Diego Gas & Electric Company provide their initial contributions. On September 11, 2019, Southern California Edison and San Diego Gas & Electric Company notified the CPUC that each had provided its respective initial contribution to the Wildfire Fund.

In order to participate in the Wildfire Fund, within 60 days of the effective date of AB 1054, the Utility must obtain the Bankruptcy Court's approval of the Utility's election to pay the initial and annual Wildfire Fund contributions upon emergence from Chapter 11, which approval was granted by the Bankruptcy Court on August 26, 2019. The Utility would then be required to pay its share of the initial contribution to the Wildfire Fund upon emergence from Chapter 11, and meet certain eligibility requirements listed below, in order to participate in the Wildfire Fund. In such event (assuming the Utility satisfies the eligibility and other requirements set forth in AB 1054), the Wildfire Fund will be available to the Utility to pay for eligible claims arising between the effective date of AB 1054 and the Utility's emergence from Chapter 11, subject to a limit of 40% of the amount of such claims. The balance of any such claims would need to be addressed through the Chapter 11 Cases. There are several additional eligibility requirements for the Utility, including that by June 30, 2020, the following conditions are satisfied:

- the Utility's Chapter 11 Case has been resolved pursuant to a plan of reorganization or similar document not subject to a stay;
- the Bankruptcy Court has determined that the resolution of the Utility's Chapter 11 Case provides funding or otherwise provides for the satisfaction of any pre-petition wildfire claims asserted against the Utility in the Chapter 11 Case, in the amounts agreed upon in any settlement agreements, authorized by the Bankruptcy Court through an estimation process or otherwise allowed by the Bankruptcy Court;
- the CPUC has approved the Utility's plan of reorganization and other documents resolving its Chapter 11 Case, including the Utility's resulting governance structure as being acceptable in light of the Utility's safety history, criminal probation, recent financial condition and other factors deemed relevant by the CPUC;
- the CPUC has determined that the Utility's plan of reorganization and other documents resolving its Chapter 11 Case are (i) consistent with California's climate goals as required pursuant to the California Renewables Portfolio Standard Program and related procurement requirements and (ii) neutral, on average, to the Utility's ratepayers; and
- the CPUC has determined that the Utility's plan of reorganization and other documents resolving its Chapter 11 Case recognize the contributions of ratepayers, if any, and compensate them accordingly through mechanisms approved by the CPUC, which may include sharing of value appreciation.

On August 23, 2019, the CPUC granted the Utility its Initial Safety Certification, which is valid for 12 months. While not a requirement for participation in the Wildfire Fund, a valid safety certification allows the Utility to benefit from AB 1054's disallowance cap. (See "Regulatory Matters - 2019 Wildfire Mitigation Plan" above.)

On August 7, 2019, PG&E Corporation and the Utility submitted a motion with the Bankruptcy Court for the entry of an order authorizing PG&E Corporation and the Utility to participate in the Wildfire Fund and to make any initial and annual contributions to the Wildfire Fund upon emergence from Chapter 11. On August 26, 2019, the Bankruptcy Court entered an order granting such authorizations.

If the Utility satisfies the requirements to participate in the Wildfire Fund, the Utility will be required to fund its initial contribution upon its emergence from Chapter 11. The Utility's required contributions to the Wildfire Fund will be substantial. Participation in the Wildfire Fund is expected to have a material impact on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows. The Utility is currently evaluating the tax treatment of the required initial and annual contributions. The timing and amount of any potential charges associated with shareholder contributions would also depend on various factors, including the timing of resolution of the Chapter 11 Cases, the expected life of the Wildfire Fund, and the impact of future wildfires on the Wildfire Fund's claims passing capacity. The Proposed Plan filed with the Bankruptcy Court on January 31, 2020 would provide for the financing of such required contributions, but there can be no assurance that PG&E Corporation and the Utility will successfully consummate or implement any such plan, which will ultimately require Bankruptcy Court, creditor and regulatory approval. Further, there can be no assurance that the expected benefits of participating in the Wildfire Fund ultimately outweigh its substantial costs.

The Utility expects to record its required contributions as an asset and amortize the asset over the estimated life of the Wildfire Fund. The Wildfire Fund asset will be further adjusted for impairment as the assets are used to pay eligible claims, which will result in decreases to the assets available for coverage of future events. AB 1054 does not establish a definite term of the Wildfire Fund; therefore, this accounting treatment is subject to significant judgments and estimates. The assumptions create a high degree of uncertainty related to the estimated useful life of the Wildfire Fund. The most significant estimate is the number and severity of catastrophic fires that could occur in California within the participating electric utilities' service territories during the term of the Wildfire Fund. The Utility intends to utilize historical, publicly available fire-loss data as a starting point; however, future fire-loss can be difficult to estimate due to uncertainties around the impacts of climate change, land use changes, and mitigation efforts by the California electric utility companies. Other assumptions include the estimated cost of wildfires caused by other electric utilities, the amount at which wildfire claims will be settled, the likely adjudication of the CPUC in cases of electric utility-caused wildfires, the level of future insurance coverage held by the electric utilities, and the future transmission and distribution equity rate base growth of other electric utilities. Significant changes in any of these estimates could materially impact the amortization period. There could also be a significant delay between the occurrence of a wildfire and the timing of which the Utility recognizes impairment for the reduction in future coverage, due to the lack of data available to the Utility following a catastrophic event, especially if the wildfire occurs in the service territory of another electric utility. As of December 31, 2019, the Utility has not reflected the required contributions in its Consolidated Financial Statements as it has not yet satisfied all of the Wildfire Fund eligibility criteria pursuant to AB 1054.

AB 1054 includes certain modifications to the "just and reasonable" standard to be utilized by the CPUC in determining applications for recovery of wildfire-related costs. These modifications will apply to wildfires occurring following the effective date of AB 1054. AB 1054 provides that costs and expenses arising from any such wildfires "are just and reasonable if the conduct of the electrical corporation related to the ignition was consistent with actions that a reasonable utility would have undertaken in good faith under similar circumstances, at the relevant point in time, and based on the information available to the electrical corporation at the relevant point of time." Further, in applying such standard, the CPUC is directed to take into account factors "both within and beyond the utility's control that may have exacerbated the costs and expenses, including humidity, temperature, and winds." Finally, AB 1054 modifies the circumstances under which an electric utility company bears the burden of demonstrating that its conduct was reasonable in accordance with the above standard.

AB 1054 also provides that the first \$5.0 billion expended in the aggregate by California's three investor-owned electric utility companies on fire risk mitigation capital expenditures included in their respective approved wildfire mitigation plans will be excluded from their respective equity rate bases. The \$5.0 billion of capital expenditures will be allocated among the investor-owned electric utility companies in accordance with their Wildfire Fund allocation metrics (described above). AB 1054 contemplates that such capital expenditures may be securitized through a customer charge.

## **ENVIRONMENTAL MATTERS**

The Utility's operations are subject to extensive federal, state, and local laws and permits relating to the protection of the environment and the safety and health of the Utility's personnel and the public. These laws and requirements relate to a broad range of the Utility's activities, including the remediation of hazardous wastes; the reporting and reduction of carbon dioxide and other GHG emissions; the discharge of pollutants into the air, water, and soil; the reporting of safety and reliability measures for natural gas storage facilities; and the transportation, handling, storage, and disposal of spent nuclear fuel. (See Item 1A. Risk Factors, "Environmental Regulation" in Item 1. and "Environmental Remediation Contingencies" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

## **RISK MANAGEMENT ACTIVITIES**

PG&E Corporation, mainly through its ownership of the Utility, and the Utility are exposed to risks associated with adverse changes in commodity prices, interest rates, and counterparty credit. The Utility actively manages market risk through risk management programs designed to support business objectives, discourage unauthorized risk-taking, reduce commodity cost volatility, and manage cash flows. The Utility uses derivative instruments only for non-trading purposes (i.e., risk mitigation) and not for speculative purposes.

## Commodity Price Risk

The Utility is exposed to commodity price risk as a result of its electricity and natural gas procurement activities, including the procurement of natural gas and nuclear fuel necessary for electricity generation and natural gas procurement for core customers. The Utility's risk management activities include the use of physical and financial instruments such as forward contracts, futures, swaps, options, and other instruments and agreements. As long as the Utility can conclude that it is probable that its reasonably incurred wholesale electricity procurement costs and natural gas costs are recoverable, fluctuations in electricity and natural gas prices will not affect earnings. Such fluctuations, however, may impact cash flows. The Utility's natural gas transportation and storage costs for core customers are also fully recoverable through a ratemaking mechanism.

The Utility's current authorized revenue requirement for natural gas transportation and storage service to non-core customers is not balancing account protected. The Utility recovers these costs in its gas transmission and storage rate cases through fixed reservation charges and volumetric charges from long-term contracts, resulting in price and volumetric risk. The Utility uses value-at-risk to measure its shareholders' exposure to these risks. The Utility's value-at-risk was approximately \$9 million and \$11 million at December 31, 2019 and 2018, respectively. (See Note 10 of the Notes to the Consolidated Financial Statements in Item 8. for further discussion of price risk management activities.)

## Interest Rate Risk

Interest rate risk sensitivity analysis is used to measure interest rate risk by computing estimated changes in cash flows as a result of assumed changes in market interest rates. At December 31, 2019 and 2018, if interest rates changed by 1% for all PG&E Corporation and Utility variable rate long-term debt, short-term debt, and cash investments, the impact on net income over the next 12 months would be \$45 million and \$24 million, respectively, based on net variable rate debt and other interest rate-sensitive instruments outstanding. (See Note 5 of the Notes to the Consolidated Financial Statements in Item 8. for further discussion of interest rates.)

## Energy Procurement Credit Risk

The Utility conducts business with counterparties mainly in the energy industry to purchase electricity or gas, including the CAISO market, other California investor-owned electric utilities, municipal utilities, energy trading companies, financial institutions, electricity generation companies, and oil and natural gas production companies located in the United States and Canada. If a counterparty fails to perform on its contractual obligation to deliver electricity or gas, then the Utility may find it necessary to procure electricity or gas at current market prices, which may be higher than the contract prices.

The Utility manages credit risk associated with its counterparties by assigning credit limits based on evaluations of their financial conditions, net worth, credit ratings, and other credit criteria as deemed appropriate. Credit limits and credit quality are monitored periodically. The Utility executes many energy contracts under master commodity enabling agreements that may require security (referred to as "Credit Collateral" in the table below). Credit collateral may be in the form of cash or letters of credit. The Utility may accept other forms of performance assurance in the form of corporate guarantees of acceptable credit quality or other eligible securities (as deemed appropriate by the Utility). Credit collateral or performance assurance may be required from counterparties when current net receivables and replacement cost exposure exceed contractually specified limits.

The following table summarizes the Utility's energy procurement credit risk exposure to its counterparties:

(in millions)	Gross Credit Exposure Before Credit Collateral <sup>(1)</sup>	Credit Collateral	Net Credit Exposure <sup>(2)</sup>	Number of Wholesale Customers or Counterparties >10%	Net Credit Exposure to Wholesale Customers or Counterparties >10%
December 31, 2019	\$ 106	\$ (50)	\$ 56	3	\$ 36
Prior year period end	\$ 137	\$ (52)	\$ 85	3	\$ 64

<sup>(1)</sup> Gross credit exposure equals mark-to-market value on physically and financially settled contracts, and net receivables (payables) where netting is contractually allowed. Gross and net credit exposure amounts reported above do not include adjustments for time value or liquidity.

<sup>(2)</sup> Net credit exposure is the Gross Credit Exposure Before Credit Collateral minus Credit Collateral (cash deposits and letters of credit posted by counterparties and held by the Utility). For purposes of this table, parental guarantees are not included as part of the calculation.

## CRITICAL ACCOUNTING POLICIES

The preparation of the Consolidated Financial Statements in accordance with GAAP involves the use of estimates and assumptions that affect the recorded amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting policies described below are considered to be critical accounting policies due, in part, to their complexity and because their application is relevant and material to the financial position and results of operations of PG&E Corporation and the Utility, and because these policies require the use of material judgments and estimates. Actual results may differ materially from these estimates and assumptions. These accounting policies and their key characteristics are outlined below.

### **Liabilities Subject to Compromise**

As a result of the commencement of the Chapter 11 Cases, the payment of pre-petition liabilities is subject to compromise or other treatment pursuant to a plan of reorganization. The determination of how liabilities will ultimately be settled or treated cannot be made until the Bankruptcy Court confirms a Chapter 11 plan of reorganization and such plan becomes effective. Accordingly, the ultimate amount of such liabilities is not determinable at this time. GAAP requires pre-petition liabilities that are subject to compromise to be reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for different amounts. The amounts currently classified as LSTC are preliminary and may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, rejection of executory contracts, continued reconciliation or other events.

### **Loss Contingencies**

As discussed below, PG&E Corporation and the Utility have recorded material accruals for various wildfire-related, enforcement and legal matters, and environmental remediation liabilities. PG&E Corporation and the Utility have also recorded insurance receivables for third-party claims.

### ***Wildfire-Related Liabilities***

PG&E Corporation and the Utility are subject to potential liabilities related to wildfires. PG&E Corporation and the Utility record a wildfire-related liability when it determines that a loss is probable and it can reasonably estimate the loss or a range of losses. The provision is based on the lower end of the range, unless an amount within the range is a better estimate than any other amount.

Potential liabilities related to wildfires depend on various factors, including but not limited to negotiations and settlements or the cause of each fire, contributing causes of the fires (including alternative potential origins, weather and climate related issues), the number, size and type of structures damaged or destroyed, the contents of such structures and other personal property damage, the number and types of trees damaged or destroyed, attorneys' fees for claimants, the nature and extent of any personal injuries, including the loss of lives, the extent to which future claims arise, the amount of fire suppression and clean-up costs, other damages the Utility may be responsible for if found negligent, and the amount of any penalties or fines that may be imposed by governmental entities. There are a number of unknown facts and legal considerations that may impact the amount of any potential liability, including the total scope and nature of claims that may be asserted against PG&E Corporation or the Utility, the number of current and future claims that will be included in a plan of reorganization, and how claims for punitive damages and claims by variously situated persons will be treated and whether such claims will be allowed.

The process for estimating wildfire-related liabilities requires management to exercise significant judgment based on a number of assumptions and subjective factors, including but not limited to factors identified above and estimates based on currently available information and prior experience with wildfires. (See Note 14 of the Notes to the Consolidated Financial Statements in Item 8.)

### ***Enforcement and Litigation Matters***

PG&E Corporation and the Utility are subject to various laws and regulations and, in the normal course of business, are named as parties in a number of claims and lawsuits. In addition, penalties may be incurred for failure to comply with federal, state, or local laws and regulations. PG&E Corporation and the Utility record a provision for a loss contingency when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. PG&E Corporation and the Utility evaluate the range of reasonably estimated losses and record a provision based on the lower end of the range, unless an amount within the range is a better estimate than any other amount. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Loss contingencies are reviewed quarterly and estimates are adjusted to reflect the impact of all known information, such as negotiations, discovery, settlements and payments, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. PG&E Corporation's and the Utility's provision for loss and expense excludes anticipated legal costs, which are expensed as incurred. Actual results may differ materially from these estimates and assumptions. (See Note 14 and "Enforcement and Litigation Matters" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

### ***Environmental Remediation Liabilities***

The Utility is subject to loss contingencies pursuant to federal and California environmental laws and regulations that in the future may require the Utility to pay for environmental remediation at sites where it has been, or may be, a potentially responsible party. Such contingencies may exist for the remediation of hazardous substances at various potential sites, including former manufactured gas plant sites, power plant sites, gas compressor stations, and sites used by the Utility for the storage, recycling, or disposal of potentially hazardous materials, even if the Utility did not deposit those substances on the site.

The Utility generally commences the environmental remediation assessment process upon notification from federal or state agencies, or other parties, of a potential site requiring remedial action. (In some instances, the Utility may initiate action to determine its remediation liability for sites that it no longer owns in cooperation with regulatory agencies. For example, the Utility has a program related to certain former manufactured gas plant sites.) Based on such notification, the Utility completes an assessment of the potential site and evaluates whether it is probable that a remediation liability has been incurred. The Utility records an environmental remediation liability when site assessments indicate remediation is probable and it can reasonably estimate the loss or a range of possible losses. Given the complexities of the legal and regulatory environment and the inherent uncertainties involved in the early stages of a remediation project, the process for estimating remediation liabilities is subjective and requires significant judgment. Key factors evaluated in developing cost estimates include the extent and types of hazardous substances at a potential site, the range of technologies that can be used for remediation, the determination of the Utility's liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties.

When possible, the Utility estimates costs using site-specific information, but also considers historical experience for costs incurred at similar sites depending on the level of information available. Estimated costs are composed of the direct costs of the remediation effort and the costs of compensation for employees who are expected to devote a significant amount of time directly to the remediation effort. These estimated costs include remedial site investigations, remediation actions, operations and maintenance activities, post remediation monitoring, and the costs of technologies that are expected to be approved to remediate the site. Remediation efforts for a particular site generally extend over a period of several years. During this period, the laws governing the remediation process may change, as well as site conditions, thereby possibly affecting the cost of the remediation effort.

At December 31, 2019 and 2018, the Utility's accruals for undiscounted gross environmental liabilities were \$1.3 billion. The Utility's undiscounted future costs could increase to as much as \$2.4 billion if the extent of contamination or necessary remediation is greater than anticipated or if the other potentially responsible parties are not financially able to contribute to these costs, and could increase further if the Utility chooses to remediate beyond regulatory requirements. Although the Utility has provided for known environmental obligations that are probable and reasonably estimable, estimated costs may vary significantly from actual costs, and the amount of additional future costs may be material to results of operations in the period in which they are recognized.

### ***Insurance Receivable***

The Utility has liability insurance from various insurers, which provides coverage for third-party claims. The Utility records insurance recoveries only when a third-party claim is recorded and it is deemed probable that a recovery of that claim will occur and the Utility can reasonably estimate the amount or its range. The assessment of whether recovery is probable or reasonably possible, and whether the recovery or a range of recoveries is estimable, often involves a series of complex judgments about future events. Insurance recoveries are reviewed quarterly and estimates are adjusted to reflect the impact of all known information, including contractual liability insurance policy coverage, advice of legal counsel, past experience with similar events, discussions with insurers and other information and events pertaining to a particular matter. (See "Loss Recoveries" in Note 14 and "Insurance" in Note 15 of the Notes to the Consolidated Financial Statements in Item 8.)

### **Regulatory Accounting**

As a regulated entity, the Utility records regulatory assets and liabilities for amounts that are deemed probable of recovery from, or refund to, customers. Despite the ongoing losses related to wildfires (See Note 14 of the Notes to the Consolidated Financial Statements), there is no actual or anticipated change in the cost of service regulation of the Utility's operations. Therefore, the Utility continues to apply the accounting ASC 980, *Regulated Operations*. These amounts would otherwise be recorded to expense or income under GAAP. Refer to "Regulation and Regulated Operations" in Note 3 as well as Note 4 of the Notes to the Consolidated Financial Statements in Item 8. At December 31, 2019, PG&E Corporation and the Utility reported regulatory assets (including current regulatory balancing accounts receivable) of \$8.5 billion and regulatory liabilities (including current regulatory balancing accounts payable) of \$11.2 billion.

Determining probability requires significant judgment by management and includes, but is not limited to, consideration of testimony presented in regulatory hearings, proposed regulatory decisions, final regulatory orders, and the strength or status of applications for rehearing or state court appeals. For some of the Utility's regulatory assets, including utility retained generation, the Utility has determined that the costs are recoverable based on specific approval from the CPUC. The Utility also records a regulatory asset when a mechanism is in place to recover current expenditures and historical experience indicates that recovery of incurred costs is probable, such as the regulatory assets for pension benefits; deferred income tax; price risk management; and unamortized loss, net of gain, on reacquired debt. The CPUC has not denied the recovery of any material costs previously recognized by the Utility as regulatory assets for the periods presented. If the Utility determined that it is no longer probable that regulatory assets would be recovered or reflected in future rates, or if the Utility ceased to be subject to rate regulation, the regulatory assets would be charged against income in the period in which that determination was made. If regulatory accounting did not apply, the Utility's future financial results could become more volatile as compared to historical financial results due to the differences in the timing of expense or revenue recognition.

A portion of the Utility's regulatory asset balances relate to items which could not be anticipated by the Utility during CPUC GRC rate requests resulting from catastrophic events, changes in regulation, or extraordinary changes in operating practices. The Utility may seek authority to track incremental costs in a memorandum account and the CPUC may authorize recovery of costs tracked in memorandum accounts if the costs are deemed incremental and prudently incurred. These accounts, which include the CEMA, WEMA, and FHPMA, among others, allow the Utility to track the costs associated with work related to disaster and wildfire response, and other wildfire prevention-related costs. While the Utility believes such costs are recoverable, rate recovery requires CPUC authorization in separate proceedings or through a GRC. (For more information, see "Regulatory Matters - Wildfire Expense Memorandum Account," "Regulatory Matters - Catastrophic Expense Memorandum Account," and "Regulatory Matters - Fire Hazard Prevention Memorandum Account" in Item 7. MD&A.)



Additionally, SB 901 provides a mechanism for the CPUC to potentially allow recovery in future rates, through a securitization mechanism, of wildfire-related costs found to be just and reasonable by the CPUC and, only for the 2017 Northern California wildfires, any amounts in excess of the CHT. The Utility has made an assessment as of December 31, 2019 and has concluded that the net wildfire-related claims incurred for the 2017 Northern California wildfires do not meet the criteria for recognition as a regulatory asset. The Utility must evaluate the likelihood of recovery in future rates each period. If the criteria are met at a later date, the Utility would recognize a regulatory asset and a related gain in the consolidated income statement in the period in which it is determined that the likelihood of recovery is probable.

In addition, regulatory accounting standards require recognition of a loss if it becomes probable that capital expenditures will be disallowed for ratemaking purposes and if a reasonable estimate of the amount of the disallowance can be made. Such assessments require significant judgment by management regarding probability of recovery, as described above, and the ultimate cost of construction of capital assets. The Utility records a loss to the extent capital costs are expected to exceed the amount to be recovered. The Utility's capital forecasts involve a series of complex judgments regarding detailed project plans, estimates included in third-party contracts, historical cost experience for similar projects, permitting requirements, environmental compliance standards, and a variety of other factors.

### **Asset Retirement Obligations**

PG&E Corporation and the Utility account for an ARO at fair value in the period during which the legal obligation is incurred if a reasonable estimate of fair value and its settlement date can be made. At the time of recording an ARO, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. The Utility recognizes a regulatory asset or liability for the timing differences between the recognition of expenses and costs recovered through the ratemaking process. (See Notes 3 and 4 of the Notes to the Consolidated Financial Statements in Item 8.)

To estimate its liability, the Utility uses a discounted cash flow model based upon significant estimates and assumptions about future decommissioning costs, inflation rates, and the estimated date of decommissioning. The estimated future cash flows are discounted using a credit-adjusted risk-free rate that reflects the risk associated with the decommissioning obligation.

At December 31, 2019, the Utility's recorded ARO for the estimated cost of retiring these long-lived assets was approximately \$6 billion. Changes in these estimates and assumptions could materially affect the amount of the recorded ARO for these assets.

### **Pension and Other Postretirement Benefit Plans**

PG&E Corporation and the Utility sponsor a non-contributory defined benefit pension plan for eligible employees as well as contributory postretirement health care and medical plans for eligible retirees and their eligible dependents, and non-contributory postretirement life insurance plans for eligible employees and retirees. Adjustments to the pension and other benefit obligation are based on the differences between actuarial assumptions and actual plan results. These amounts are deferred in accumulated other comprehensive income (loss) and amortized into income on a gradual basis. The differences between pension benefit expense recognized in accordance with GAAP and amounts recognized for ratemaking purposes are recorded as regulatory assets or liabilities as amounts are probable of recovery from customers. To the extent the other benefits are in an overfunded position, the Utility records a regulatory liability. (See Note 4 of the Notes to the Consolidated Financial Statements in Item 8.)

The pension and other postretirement benefit obligations are calculated using actuarial models as of the December 31 measurement date. The significant actuarial assumptions used in determining pension and other benefit obligations include the discount rate, the average rate of future compensation increases, the health care cost trend rate and the expected return on plan assets. PG&E Corporation and the Utility review these assumptions on an annual basis and adjust them as necessary. While PG&E Corporation and the Utility believe that the assumptions used are appropriate, significant differences in actual experience, plan changes or amendments, or significant changes in assumptions may materially affect the recorded pension and other postretirement benefit obligations and future plan expenses. (See Note 12 of the Notes to the Consolidated Financial Statements in Item 8.)

In establishing health care cost assumptions, PG&E Corporation and the Utility consider recent cost trends and projections from industry experts. This evaluation suggests that current rates of inflation are expected to continue in the near term. In recognition of continued high inflation in health care costs and given the design of PG&E Corporation's plans, the assumed health care cost trend rate for 2019 is 6.3%, gradually decreasing to the ultimate trend rate of 4.5% in 2027 and beyond.

Expected rates of return on plan assets were developed by estimating future stock and bond returns and then applying these returns to the target asset allocations of the employee benefit trusts, resulting in a weighted average rate of return on plan assets. Fixed-income returns were projected based on real maturity and credit spreads added to a long-term inflation rate. Equity returns were projected based on estimates of dividend yield and real earnings growth added to a long-term rate of inflation. For the Utility's defined benefit pension plan, the assumed return of 5.7% compares to a ten-year actual return of 9.3%.

The rate used to discount pension benefits and other benefits was based on a yield curve developed from market data of approximately 936 Aa-grade non-callable bonds at December 31, 2019. This yield curve has discount rates that vary based on the duration of the obligations. The estimated future cash flows for the pension and other postretirement benefit obligations were matched to the corresponding rates on the yield curve to derive a weighted average discount rate.

The following reflects the sensitivity of pension costs and projected benefit obligation to changes in certain actuarial assumptions:

(in millions)	Increase (Decrease) in Assumption	Increase in 2019 Pension Costs	Increase in Projected Benefit Obligation at December 31, 2019
Discount rate	(0.50) %	\$ 80	\$ 1,665
Rate of return on plan assets	(0.50) %	76	—
Rate of increase in compensation	0.50 %	39	376

The following reflects the sensitivity of other postretirement benefit costs and accumulated benefit obligation to changes in certain actuarial assumptions:

(in millions)	Increase (Decrease) in Assumption	Increase in 2019 Other Postretirement Benefit Costs	Increase in Accumulated Benefit Obligation at December 31, 2019
Health care cost trend rate	0.50 %	\$ 8	\$ 64
Discount rate	(0.50) %	8	139
Rate of return on plan assets	(0.50) %	11	—

## NEW ACCOUNTING PRONOUNCEMENTS

See Note 3 of the Notes to the Consolidated Financial Statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information responding to Item 7A is set forth under the heading "Risk Management Activities," in MD&A in Item 7 and in Note 10: Derivatives and Note 11: Fair Value Measurements of the Notes to the Consolidated Financial Statements in Item 8.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in millions, except per share amounts)

	Year ended December 31,		
	2019	2018	2017
<b>Operating Revenues</b>			
Electric	\$ 12,740	\$ 12,713	\$ 13,124
Natural gas	4,389	4,046	4,011
<b>Total operating revenues</b>	<b>17,129</b>	<b>16,759</b>	<b>17,135</b>
<b>Operating Expenses</b>			
Cost of electricity	3,095	3,828	4,309
Cost of natural gas	734	671	746
Operating and maintenance	8,725	7,153	6,321
Wildfire-related claims, net of insurance recoveries	11,435	11,771	—
Depreciation, amortization, and decommissioning	3,234	3,036	2,854
<b>Total operating expenses</b>	<b>27,223</b>	<b>26,459</b>	<b>14,230</b>
<b>Operating Income (Loss)</b>	<b>(10,094)</b>	<b>(9,700)</b>	<b>2,905</b>
Interest income	82	76	31
Interest expense	(934)	(929)	(888)
Other income, net	250	424	123
Reorganization items, net	(346)	—	—
<b>Income (Loss) Before Income Taxes</b>	<b>(11,042)</b>	<b>(10,129)</b>	<b>2,171</b>
Income tax provision (benefit)	(3,400)	(3,292)	511
<b>Net Income (Loss)</b>	<b>(7,642)</b>	<b>(6,837)</b>	<b>1,660</b>
Preferred stock dividend requirement of subsidiary	14	14	14
<b>Income (Loss) Available for Common Shareholders</b>	<b>\$ (7,656)</b>	<b>\$ (6,851)</b>	<b>\$ 1,646</b>
<b>Weighted Average Common Shares Outstanding, Basic</b>	<b>528</b>	<b>517</b>	<b>512</b>
<b>Weighted Average Common Shares Outstanding, Diluted</b>	<b>528</b>	<b>517</b>	<b>513</b>
<b>Net Earnings (Loss) Per Common Share, Basic</b>	<b>\$ (14.50)</b>	<b>\$ (13.25)</b>	<b>\$ 3.21</b>
<b>Net Earnings (Loss) Per Common Share, Diluted</b>	<b>\$ (14.50)</b>	<b>\$ (13.25)</b>	<b>\$ 3.21</b>

See accompanying Notes to the Consolidated Financial Statements.

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)

	Year ended December 31,		
	2019	2018	2017
<b>Net Income (Loss)</b>	\$ (7,642)	\$ (6,837)	\$ 1,660
<b>Other Comprehensive Income</b>			
Pension and other postretirement benefit plans obligations (net of taxes of \$0, \$2, and \$0, at respective dates)	(1)	4	1
<b>Total other comprehensive income (loss)</b>	<b>(1)</b>	<b>4</b>	<b>1</b>
<b>Comprehensive Income (Loss)</b>	<b>(7,643)</b>	<b>(6,833)</b>	<b>1,661</b>
Preferred stock dividend requirement of subsidiary	14	14	14
<b>Comprehensive Income (Loss) Attributable to Common Shareholders</b>	<b>\$ (7,657)</b>	<b>\$ (6,847)</b>	<b>\$ 1,647</b>

See accompanying Notes to the Consolidated Financial Statements.

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)

	<b>Balance at December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,570	\$ 1,668
Accounts receivable		
Customers (net of allowance for doubtful accounts of \$43 and \$56 at respective dates)	1,287	1,148
Accrued unbilled revenue	969	1,000
Regulatory balancing accounts	2,114	1,435
Other	2,617	2,686
Regulatory assets	315	233
Inventories		
Gas stored underground and fuel oil	97	111
Materials and supplies	550	443
Income taxes receivable	—	23
Other	646	448
<b>Total current assets</b>	<b>10,165</b>	<b>9,195</b>
<b>Property, Plant, and Equipment</b>		
Electric	62,707	59,150
Gas	22,688	21,556
Construction work in progress	2,675	2,564
Other	20	2
<b>Total property, plant, and equipment</b>	<b>88,090</b>	<b>83,272</b>
Accumulated depreciation	(26,455)	(24,715)
<b>Net property, plant, and equipment</b>	<b>61,635</b>	<b>58,557</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	6,066	4,964
Nuclear decommissioning trusts	3,173	2,730
Operating lease right of use asset	2,286	—
Income taxes receivable	67	69
Other	1,804	1,480
<b>Total other noncurrent assets</b>	<b>13,396</b>	<b>9,243</b>
<b>TOTAL ASSETS</b>	<b>\$ 85,196</b>	<b>\$ 76,995</b>

See accompanying Notes to the Consolidated Financial Statements.

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share amounts)

	<b>Balance at December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ —	\$ 3,435
Long-term debt, classified as current	—	18,559
Debtor-in-possession financing, classified as current	1,500	\$ —
Accounts payable		
Trade creditors	1,954	1,975
Regulatory balancing accounts	1,797	1,076
Other	566	464
Operating lease liabilities	556	—
Disputed claims and customer refunds	—	220
Interest payable	4	228
Wildfire-related claims	—	14,226
Other	1,254	1,512
<b>Total current liabilities</b>	<b>7,631</b>	<b>41,695</b>
<b>Noncurrent Liabilities</b>		
Regulatory liabilities	9,270	8,539
Pension and other postretirement benefits	1,884	2,119
Asset retirement obligations	5,854	5,994
Deferred income taxes	320	3,281
Operating lease liabilities	1,730	—
Other	2,573	2,464
<b>Total noncurrent liabilities</b>	<b>21,631</b>	<b>22,397</b>
<b>Liabilities Subject to Compromise</b>	<b>50,546</b>	<b>—</b>
<b>Contingencies and Commitments (Notes 14 and 15)</b>		
<b>Equity</b>		
<b>Shareholders' Equity</b>		
Common stock, no par value, authorized 800,000,000 shares; 529,236,741 and 520,338,710 shares outstanding at respective dates	13,038	12,910
Reinvested earnings	(7,892)	(250)
Accumulated other comprehensive loss	(10)	(9)
<b>Total shareholders' equity</b>	<b>5,136</b>	<b>12,651</b>
<b>Noncontrolling Interest - Preferred Stock of Subsidiary</b>	<b>252</b>	<b>252</b>
<b>Total equity</b>	<b>5,388</b>	<b>12,903</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 85,196</b>	<b>\$ 76,995</b>

See accompanying Notes to the Consolidated Financial Statements.

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in millions)**

	Year ended December 31,		
	2019	2018	2017
<b>Cash Flows from Operating Activities</b>			
Net income (loss)	\$ (7,642)	\$ (6,837)	\$ 1,660
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, and decommissioning	3,234	3,036	2,854
Allowance for equity funds used during construction	(79)	(129)	(89)
Deferred income taxes and tax credits, net	(2,948)	(2,532)	1,254
Reorganization items, net (Note 2)	108	—	—
Disallowed capital expenditures	581	(45)	47
Other	207	332	307
Effect of changes in operating assets and liabilities:			
Accounts receivable	(104)	(121)	67
Wildfire-related insurance receivable	35	(1,698)	(21)
Inventories	(80)	(73)	(18)
Accounts payable	516	409	173
Wildfire-related claims	(114)	13,665	(129)
Income taxes receivable/payable	23	(23)	160
Other current assets and liabilities	77	(281)	42
Regulatory assets, liabilities, and balancing accounts, net	(1,417)	(800)	(387)
Liabilities subject to compromise	12,222	—	—
Other noncurrent assets and liabilities	197	(151)	57
<b>Net cash provided by operating activities</b>	<b>4,816</b>	<b>4,752</b>	<b>5,977</b>
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	(6,313)	(6,514)	(5,641)
Proceeds from sales and maturities of nuclear decommissioning trust investments	956	1,412	1,291
Purchases of nuclear decommissioning trust investments	(1,032)	(1,485)	(1,323)
Other	11	23	23
<b>Net cash used in investing activities</b>	<b>(6,378)</b>	<b>(6,564)</b>	<b>(5,650)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from debtor-in-possession credit facility	1,850	—	—
Repayments of debtor-in-possession credit facility	(350)	—	—
Debtor-in-possession credit facility debt issuance costs	(113)	—	—
Borrowings under revolving credit facilities	—	3,960	—
Repayments under revolving credit facilities	—	(775)	—
Net repayments of commercial paper, net of discount of \$0, \$1, and \$5 at respective dates	—	(182)	(840)
Short-term debt financing	—	600	750
Short-term debt matured	—	(750)	(500)
Proceeds from issuance of long-term debt, net of premium, discount and issuance costs of \$0, \$7, and \$32 at respective dates	—	793	2,713
Long-term debt matured or repurchased	—	(795)	(1,445)
Common stock issued	85	200	395
Common stock dividends paid	—	—	(1,021)
Other	(8)	(20)	(107)
<b>Net cash provided by (used in) financing activities</b>	<b>1,464</b>	<b>3,031</b>	<b>(55)</b>
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>(98)</b>	<b>1,219</b>	<b>272</b>
<b>Cash, cash equivalents, and restricted cash at January 1</b>	<b>1,675</b>	<b>456</b>	<b>184</b>
<b>Cash, cash equivalents, and restricted cash at December 31</b>	<b>\$ 1,577</b>	<b>\$ 1,675</b>	<b>\$ 456</b>
Less: Restricted cash and restricted cash equivalents	(7)	(7)	(7)
<b>Cash and cash equivalents at December 31</b>	<b>\$ 1,570</b>	<b>\$ 1,668</b>	<b>\$ 449</b>

**Supplemental disclosures of cash flow information**

Cash received (paid) for:

Interest, net of amounts capitalized	\$	(10)	\$	(786)	\$	(790)
Income taxes, net		—		(49)		162

**Supplemental disclosures of noncash investing and financing activities**

Capital expenditures financed through accounts payable	\$	826	\$	368	\$	501
Noncash common stock issuances		—		—		21
Operating lease liabilities arising from obtaining ROU assets		2,816		—		—

See accompanying Notes to the Consolidated Financial Statements.



**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(in millions, except share amounts)

	Common Stock Shares	Common Stock Amount	Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Non controlling Interest - Preferred Stock of Subsidiary	Total Equity
<b>Balance at December 31, 2016</b>	<b>506,891,874</b>	<b>\$ 12,198</b>	<b>\$ 5,751</b>	<b>\$ (9)</b>	<b>\$ 17,940</b>	<b>\$ 252</b>	<b>\$ 18,192</b>
Net income	—	—	1,660	—	1,660	—	1,660
Other comprehensive income	—	—	—	1	1	—	1
Common stock issued, net	7,863,971	416	—	—	416	—	416
Stock-based compensation amortization	—	18	—	—	18	—	18
Common stock dividends declared	—	—	(801)	—	(801)	—	(801)
Preferred stock dividend requirement of subsidiary	—	—	(14)	—	(14)	—	(14)
<b>Balance at December 31, 2017</b>	<b>514,755,845</b>	<b>\$ 12,632</b>	<b>\$ 6,596</b>	<b>\$ (8)</b>	<b>\$ 19,220</b>	<b>\$ 252</b>	<b>\$ 19,472</b>
Net loss	—	—	(6,837)	—	(6,837)	—	(6,837)
Other comprehensive income (loss)	—	—	5	(1)	4	—	4
Common stock issued, net	5,582,865	200	—	—	200	—	200
Stock-based compensation amortization	—	78	—	—	78	—	78
Preferred stock dividend requirement of subsidiary	—	—	(14)	—	(14)	—	(14)
<b>Balance at December 31, 2018</b>	<b>520,338,710</b>	<b>\$ 12,910</b>	<b>\$ (250)</b>	<b>\$ (9)</b>	<b>\$ 12,651</b>	<b>\$ 252</b>	<b>\$ 12,903</b>
Net loss	—	—	(7,642)	—	(7,642)	—	(7,642)
Other comprehensive loss	—	—	—	(1)	(1)	—	(1)
Common stock issued, net	8,898,031	85	—	—	85	—	85
Stock-based compensation amortization	—	43	—	—	43	—	43
<b>Balance at December 31, 2019</b>	<b>529,236,741</b>	<b>\$ 13,038</b>	<b>\$ (7,892)</b>	<b>\$ (10)</b>	<b>\$ 5,136</b>	<b>\$ 252</b>	<b>\$ 5,388</b>

See accompanying Notes to the Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED STATEMENTS OF INCOME  
(in millions)**

	Year ended December 31,		
	2019	2018	2017
<b>Operating Revenues</b>			
Electric	\$ 12,740	\$ 12,713	\$ 13,127
Natural gas	4,389	4,047	4,011
<b>Total operating revenues</b>	<b>17,129</b>	<b>16,760</b>	<b>17,138</b>
<b>Operating Expenses</b>			
Cost of electricity	3,095	3,828	4,309
Cost of natural gas	734	671	746
Operating and maintenance	8,750	7,153	6,383
Wildfire-related claims, net of insurance recoveries	11,435	11,771	—
Depreciation, amortization, and decommissioning	3,233	3,036	2,854
<b>Total operating expenses</b>	<b>27,247</b>	<b>26,459</b>	<b>14,292</b>
<b>Operating Income (Loss)</b>	<b>(10,118)</b>	<b>(9,699)</b>	<b>2,846</b>
Interest income	82	74	30
Interest expense	(912)	(914)	(877)
Other income, net	239	426	119
Reorganization items, net	(320)	—	—
<b>Income (Loss) Before Income Taxes</b>	<b>(11,029)</b>	<b>(10,113)</b>	<b>2,118</b>
Income tax provision (benefit)	(3,407)	(3,295)	427
<b>Net Income (Loss)</b>	<b>(7,622)</b>	<b>(6,818)</b>	<b>1,691</b>
Preferred stock dividend requirement	14	14	14
<b>Income (Loss) Available for Common Stock</b>	<b>\$ (7,636)</b>	<b>\$ (6,832)</b>	<b>\$ 1,677</b>

See accompanying Notes to the Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in millions)**

	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net Income (Loss)</b>	<b>\$ (7,622)</b>	<b>\$ (6,818)</b>	<b>\$ 1,691</b>
<b>Other Comprehensive Income</b>			
Pension and other postretirement benefit plans obligations (net of taxes of \$1, \$2, and \$3, at respective dates)	2	(5)	4
<b>Total other comprehensive income (loss)</b>	<b>2</b>	<b>(5)</b>	<b>4</b>
<b>Comprehensive Income (Loss)</b>	<b>\$ (7,620)</b>	<b>\$ (6,823)</b>	<b>\$ 1,695</b>

See accompanying Notes to the Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED BALANCE SHEETS  
(in millions)**

	<b>Balance at December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,122	\$ 1,295
Accounts receivable		
Customers (net of allowance for doubtful accounts of \$43 and \$56 at respective dates)	1,287	1,148
Accrued unbilled revenue	969	1,000
Regulatory balancing accounts	2,114	1,435
Other	2,647	2,688
Regulatory assets	315	233
Inventories		
Gas stored underground and fuel oil	97	111
Materials and supplies	550	443
Income taxes receivable	—	5
Other	635	448
<b>Total current assets</b>	<b>9,736</b>	<b>8,806</b>
<b>Property, Plant, and Equipment</b>		
Electric	62,707	59,150
Gas	22,688	21,556
Construction work in progress	2,675	2,564
Other	18	—
<b>Total property, plant, and equipment</b>	<b>88,088</b>	<b>83,270</b>
Accumulated depreciation	(26,453)	(24,713)
<b>Net property, plant, and equipment</b>	<b>61,635</b>	<b>58,557</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	6,066	4,964
Nuclear decommissioning trusts	3,173	2,730
Operating lease right of use asset	2,279	—
Income taxes receivable	66	66
Other	1,659	1,348
<b>Total other noncurrent assets</b>	<b>13,243</b>	<b>9,108</b>
<b>TOTAL ASSETS</b>	<b>\$ 84,614</b>	<b>\$ 76,471</b>

See accompanying Notes to the Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED BALANCE SHEETS  
(in millions, except share amounts)**

	<b>Balance at December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ —	\$ 3,135
Long-term debt, classified as current	—	18,209
Debtor-in-possession financing, classified as current	1,500	—
Accounts payable		
Trade creditors	1,949	1,972
Regulatory balancing accounts	1,797	1,076
Other	675	498
Operating lease liabilities	553	—
Disputed claims and customer refunds	—	220
Interest payable	4	227
Wildfire-related claims	—	14,226
Other	1,263	1,497
<b>Total current liabilities</b>	<b>7,741</b>	<b>41,060</b>
<b>Noncurrent Liabilities</b>		
Regulatory liabilities	9,270	8,539
Pension and other postretirement benefits	1,884	2,026
Asset retirement obligations	5,854	5,994
Deferred income taxes	442	3,405
Operating lease liabilities	1,726	—
Other	2,626	2,492
<b>Total noncurrent liabilities</b>	<b>21,802</b>	<b>22,456</b>
<b>Liabilities Subject to Compromise</b>	<b>49,736</b>	<b>—</b>
<b>Contingencies and Commitments (Notes 14 and 15)</b>		
<b>Shareholders' Equity</b>		
Preferred stock	258	258
Common stock, \$5 par value, authorized 800,000,000 shares; 264,374,809 shares outstanding at respective dates	1,322	1,322
Additional paid-in capital	8,550	8,550
Reinvested earnings	(4,796)	2,826
Accumulated other comprehensive income (loss)	1	(1)
<b>Total shareholders' equity</b>	<b>5,335</b>	<b>12,955</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 84,614</b>	<b>\$ 76,471</b>

See accompanying Notes to the Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions)**

	Year ended December 31,		
	2019	2018	2017
<b>Cash Flows from Operating Activities</b>			
Net income (loss)	\$ (7,622)	\$ (6,818)	\$ 1,691
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, and decommissioning	3,233	3,036	2,854
Allowance for equity funds used during construction	(79)	(129)	(89)
Deferred income taxes and tax credits, net	(2,952)	(2,548)	1,103
Reorganization items, net (Note 2)	97	—	—
Disallowed capital expenditures	581	(45)	47
Other	167	258	283
Effect of changes in operating assets and liabilities:			
Accounts receivable	(132)	(122)	66
Wildfire-related insurance receivable	35	(1,698)	(21)
Inventories	(80)	(73)	(18)
Accounts payable	579	421	173
Wildfire-related claims	(114)	13,665	(129)
Income taxes receivable/payable	5	(5)	159
Other current assets and liabilities	101	(301)	59
Regulatory assets, liabilities, and balancing accounts, net	(1,417)	(800)	(390)
Liabilities subject to compromise	12,194	—	—
Other noncurrent assets and liabilities	214	(137)	128
<b>Net cash provided by operating activities</b>	<b>4,810</b>	<b>4,704</b>	<b>5,916</b>
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	(6,313)	(6,514)	(5,641)
Proceeds from sales and maturities of nuclear decommissioning trust investments	956	1,412	1,291
Purchases of nuclear decommissioning trust investments	(1,032)	(1,485)	(1,323)
Other	11	23	23
<b>Net cash used in investing activities</b>	<b>(6,378)</b>	<b>(6,564)</b>	<b>(5,650)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from debtor-in-possession credit facility	1,850	—	—
Repayments of debtor-in-possession credit facility	(350)	—	—
Debtor-in-possession credit facility debt issuance costs	(97)	—	—
Borrowings under revolving credit facilities	—	3,535	—
Repayments under revolving credit facilities	—	(650)	—
Net repayments of commercial paper, net of discount of \$0, \$0, and \$5 at respective dates	—	(50)	(972)
Short-term debt financing	—	250	750
Short-term debt matured	—	(750)	(500)
Proceeds from issuance of long-term debt, net of premium, discount and issuance costs of \$0, \$7, and \$32 at respective dates	—	793	2,713
Long-term debt matured or repurchased	—	(445)	(1,445)
Preferred stock dividends paid	—	—	(14)
Common stock dividends paid	—	—	(784)
Equity contribution from PG&E Corporation	—	45	455
Other	(8)	(20)	(93)
<b>Net cash provided by financing activities</b>	<b>1,395</b>	<b>2,708</b>	<b>110</b>
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>(173)</b>	<b>848</b>	<b>376</b>
<b>Cash, cash equivalents, and restricted cash at January 1</b>	<b>1,302</b>	<b>454</b>	<b>78</b>
<b>Cash, cash equivalents, and restricted cash at December 31</b>	<b>\$ 1,129</b>	<b>\$ 1,302</b>	<b>\$ 454</b>
Less: Restricted cash and restricted cash equivalents	(7)	(7)	(7)
<b>Cash and cash equivalents at December 31</b>	<b>\$ 1,122</b>	<b>\$ 1,295</b>	<b>\$ 447</b>

**Supplemental disclosures of cash flow information**

## Cash received (paid) for:

Interest, net of amounts capitalized	\$	(7)	\$	(773)	\$	(781)
Income taxes, net		—		(59)		162

**Supplemental disclosures of noncash investing and financing activities**

Capital expenditures financed through accounts payable	\$	826	\$	368	\$	501
Operating lease liabilities arising from obtaining ROU assets		2,807		—		—

See accompanying Notes to the Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(in millions)**

	Preferred Stock	Common Stock	Additional Paid-in Capital	Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
<b>Balance at December 31, 2016</b>	\$ 258	\$ 1,322	\$ 8,050	\$ 8,763	\$ 2	\$ 18,395
Net income	—	—	—	1,691	—	1,691
Other comprehensive income	—	—	—	—	4	4
Equity contribution	—	—	455	—	—	455
Common stock dividend	—	—	—	(784)	—	(784)
Preferred stock dividend	—	—	—	(14)	—	(14)
<b>Balance at December 31, 2017</b>	\$ 258	\$ 1,322	\$ 8,505	\$ 9,656	\$ 6	\$ 19,747
Net loss	—	—	—	(6,818)	—	(6,818)
Other comprehensive income (loss)	—	—	—	2	(7)	(5)
Equity contribution	—	—	45	—	—	45
Preferred stock dividend	—	—	—	(14)	—	(14)
<b>Balance at December 31, 2018</b>	\$ 258	\$ 1,322	\$ 8,550	\$ 2,826	\$ (1)	\$ 12,955
Net loss	—	—	—	(7,622)	—	(7,622)
Other comprehensive income	—	—	—	—	2	2
<b>Balance at December 31, 2019</b>	\$ 258	\$ 1,322	\$ 8,550	\$ (4,796)	\$ 1	\$ 5,335

See accompanying Notes to the Consolidated Financial Statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION AND BASIS OF PRESENTATION

#### Organization and Basis of Presentation

PG&E Corporation is a holding company whose primary operating subsidiary is Pacific Gas and Electric Company, a public utility serving northern and central California. The Utility generates revenues mainly through the sale and delivery of electricity and natural gas to customers. The Utility is primarily regulated by the CPUC and the FERC. In addition, the NRC oversees the licensing, construction, operation, and decommissioning of the Utility's nuclear generation facilities.

This is a combined annual report of PG&E Corporation and the Utility. PG&E Corporation's Consolidated Financial Statements include the accounts of PG&E Corporation, the Utility, and other wholly owned and controlled subsidiaries. The Utility's Consolidated Financial Statements include the accounts of the Utility and its wholly owned and controlled subsidiaries. All intercompany transactions have been eliminated in consolidation. The Notes to the Consolidated Financial Statements apply to both PG&E Corporation and the Utility. PG&E Corporation and the Utility assess financial performance and allocate resources on a consolidated basis (i.e., the companies operate in one segment).

The accompanying Consolidated Financial Statements have been prepared in conformity with GAAP and in accordance with the reporting requirements of Form 10-K. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Some of the more significant estimates and assumptions relate to the Utility's wildfire-related liabilities, legal and regulatory contingencies, environmental remediation liabilities, insurance receivables, regulatory assets and liabilities, AROs, pension and other postretirement benefit plans obligations, and the valuation of LSTC. Management believes that its estimates and assumptions reflected in the Consolidated Financial Statements are appropriate and reasonable. A change in management's estimates or assumptions could result in an adjustment that would have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows during the period in which such change occurred.

#### Chapter 11 Filing and Going Concern

The accompanying Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the continuity of operations, the realization of assets and the satisfaction of liabilities in the normal course of business. However, as a result of the challenges that are further described below, such realization of assets and satisfaction of liabilities are subject to uncertainty. PG&E Corporation and the Utility suffered material losses as a result of the 2017 Northern California wildfires and the 2018 Camp fire, which contributed to the decision to file for Chapter 11 protection. See Note 14 below. Uncertainty regarding these matters raises substantial doubt about PG&E Corporation's and the Utility's abilities to continue as going concerns. PG&E Corporation and the Utility have determined that commencing reorganization cases under Chapter 11 was necessary to restore PG&E Corporation's and the Utility's financial stability to fund ongoing operations and provide safe service to customers. However, there can be no assurance that such proceedings will restore PG&E Corporation's and the Utility's financial stability. On the Petition Date, PG&E Corporation and the Utility filed voluntary petitions for relief under Chapter 11 in the Bankruptcy Court. The Consolidated Financial Statements do not include any adjustments that might be necessary should PG&E Corporation and the Utility be unable to continue as going concerns.

Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, PG&E Corporation and the Utility retain control of their assets and are authorized to operate their business as debtors-in-possession while being subject to the jurisdiction of the Bankruptcy Court. While operating as debtors-in-possession under Chapter 11, PG&E Corporation and the Utility may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business and subject to restrictions in PG&E Corporation's and the Utility's DIP Credit Agreement (see Note 5 below) and applicable orders of the Bankruptcy Court, for amounts other than those reflected in the accompanying Consolidated Financial Statements. Any such actions occurring during the Chapter 11 Cases authorized by the Bankruptcy Court could materially impact the amounts and classifications of assets and liabilities reported in PG&E Corporation's and the Utility's Consolidated Financial Statements. (For more information regarding the Chapter 11 Cases, see Note 2 below.)

## **NOTE 2: BANKRUPTCY FILING**

### **Chapter 11 Proceedings**

On January 29, 2019, PG&E Corporation and the Utility commenced the Chapter 11 Cases with the Bankruptcy Court. PG&E Corporation and the Utility continue to operate their business as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Under the Bankruptcy Code, third-party actions to collect pre-petition indebtedness owed by PG&E Corporation or the Utility, as well as most litigation pending against PG&E Corporation and the Utility (including the third-party matters described in Note 14 below) as of the Petition Date, are subject to an automatic stay. Absent an order of the Bankruptcy Court providing otherwise, substantially all pre-petition liabilities will be resolved under a Chapter 11 plan of reorganization to be voted upon by impaired creditors and interest holders, and approved by the Bankruptcy Court. However, under the Bankruptcy Code, regulatory or criminal proceedings generally are not subject to an automatic stay, and these proceedings have been continuing during the pendency of the Chapter 11 Cases.

Under the priority scheme established by the Bankruptcy Code, certain post-petition and secured or “priority” pre-petition liabilities need to be satisfied before general unsecured creditors and holders of PG&E Corporation’s and the Utility’s equity are entitled to receive any distribution. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 Cases to the claims and interests of each of these constituencies. Additionally, no assurance can be given as to whether, when or in what form unsecured creditors and holders of PG&E Corporation’s or the Utility’s equity may receive a distribution on such claims or interests.

Under the Bankruptcy Code, PG&E Corporation and the Utility may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and to certain other conditions. Any description of an executory contract or unexpired lease in this Annual Report on Form 10-K, including, where applicable, the express termination rights thereunder or a quantification of their obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights PG&E Corporation and the Utility have under the Bankruptcy Code.

### **Significant Bankruptcy Court Actions**

#### ***First Day Motions***

On January 31, 2019, the Bankruptcy Court approved, on an interim basis, certain motions (the “First Day Motions”) authorizing, but not directing, PG&E Corporation and the Utility to, among other things, (a) secure \$5.5 billion of debtor-in-possession financing; (b) continue to use PG&E Corporation’s and the Utility’s cash management system; and (c) pay certain pre-petition claims relating to (i) certain safety, reliability, outage, and nuclear facility suppliers; (ii) shippers, warehousemen, and other lien claimants; (iii) taxes; (iv) employee wages, salaries, and other compensation and benefits; and (v) customer programs, including public purpose programs. The First Day Motions were subsequently approved by the Bankruptcy Court on a final basis at hearings on February 27, 2019, March 12, 2019, March 13, 2019, and March 27, 2019.

#### ***Bar Date***

On July 1, 2019, the Bankruptcy Court entered an order approving a deadline of October 21, 2019, at 5:00 p.m. (Pacific Time) (the “Bar Date”) for filing claims against PG&E Corporation and the Utility relating to the period prior to the Petition Date. The Bar Date is subject to certain exceptions, including for claims arising under section 503(b)(9) of the Bankruptcy Code, the bar date for which occurred on April 22, 2019. The Bankruptcy Court also approved PG&E Corporation’s and the Utility’s plan to provide notice of the Bar Date to parties in interest, including potential wildfire-related claimants and other potential creditors. On November 11, 2019, the Bankruptcy Court entered an order approving a stipulation between PG&E Corporation and the Utility and the TCC to extend the Bar Date for unfiled, non-governmental fire claimants to December 31, 2019, at 5:00 p.m. (Pacific Time).

### ***Other Significant Actions Related to the Chapter 11 Cases***

Other significant actions and developments related to the Chapter 11 Cases, including the Tubbs Lift Stay Decision, the Tubbs Trial and the Estimation Proceeding are described in Note 14 (including under the headings “Proceeding in San Francisco County Superior Court for Certain Tubbs Fire-Related Claims” and “Wildfire Claims Estimation Proceeding in the U.S. District Court for the Northern District of California”).

On October 28, 2019, the Bankruptcy Court issued an order directing the principal parties in the Chapter 11 Cases to participate in mediation.

### ***Plan of Reorganization, RSAs, Equity Backstop Commitments and Debt Commitment Letters***

On September 9, 2019, PG&E Corporation and the Utility filed with the Bankruptcy Court their Joint Chapter 11 Plan of Reorganization for the resolution of the outstanding pre-petition claims against and interests in PG&E Corporation and the Utility, which was thereafter amended on September 23, 2019 and November 4, 2019. On January 31, 2020, PG&E Corporation and the Utility, certain funds and accounts managed or advised by Abrams Capital Management, LP (“Abrams”), and certain funds and accounts managed or advised by Knighthood Capital Management, LLC (“Knighthood” and, together with Abrams, the “Shareholder Proponents”) filed the Debtors’ and Shareholder Proponents’ Joint Chapter 11 Plan of Reorganization dated January 31, 2020 with the Bankruptcy Court (as may be amended, modified or supplemented from time to time, the “Proposed Plan”).

On September 22, 2019, PG&E Corporation and the Utility entered into a Restructuring Support Agreement with certain holders of insurance subrogation claims (collectively, the “Consenting Subrogation Creditors”) which agreement was amended and restated on November 1, 2019 and subsequently amended further during November and December 2019 (as amended, the “Subrogation RSA”). The Subrogation RSA provides for an aggregate amount of \$11.0 billion (the “Allowed Subrogation Claim Amount”) to be paid by PG&E Corporation and the Utility pursuant to the Proposed Plan in order to settle all insurance subrogation claims (the “Subrogation Claims”) relating to the 2017 Northern California wildfires and the 2018 Camp fire (the “Subrogation Claims Settlement”), upon the terms and conditions set forth in the Subrogation RSA. Under the Subrogation RSA, PG&E Corporation and the Utility also have agreed to reimburse the holders of Subrogation Claims for professional fees of up to \$55 million, upon the terms and conditions set forth in the Subrogation RSA. On September 24, 2019, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court seeking authority to enter into, and perform under, the Subrogation RSA and approval of the Subrogation Claims Settlement. Hearings on PG&E Corporation’s and the Utility’s motion to approve the Subrogation RSA were held on October 23, 2019, December 4, 2019 and December 17, 2019. On December 19, 2019, the Bankruptcy Court entered an order granting PG&E Corporation’s and the Utility’s motion to approve the Subrogation RSA. See “Restructuring Support Agreement with Holders of Subrogation Claims” in Note 14 for further information on the Subrogation RSA.

On December 6, 2019, PG&E Corporation and the Utility entered into a Restructuring Support Agreement, which was subsequently amended on December 16, 2019 (as amended, the “TCC RSA”), with the TCC, the attorneys and other advisors and agents for holders of Fire Victim Claims (as defined below) that are signatories to the TCC RSA (each a “Consenting Fire Claimant Professional”), and the Shareholder Proponents. The TCC RSA provides for, among other things, an aggregate of \$13.5 billion in value to be provided by PG&E Corporation and the Utility pursuant to the Proposed Plan in order to settle and discharge all claims against PG&E Corporation and the Utility relating to the 2015 Butte fire, the 2017 Northern California wildfires and the 2018 Camp fire (other than the Subrogation Claims and the Public Entity Wildfire Claims) (the “Fire Victim Claims”), upon the terms and conditions set forth in the TCC RSA and the Proposed Plan. On December 9, 2019, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court seeking authority to enter into, and perform under, the TCC RSA. A hearing on PG&E Corporation’s and the Utility’s motion to approve the TCC RSA was held on December 17, 2019. On December 19, 2019, the Bankruptcy Court entered an order granting PG&E Corporation’s and the Utility’s motion to approve the TCC RSA. See “Restructuring Support Agreement with the TCC” in Note 14 for further information on the TCC RSA.

### ***Proposed Plan of Reorganization***

The Proposed Plan proposes the following:

- compensation of wildfire victims and certain public entities from a trust funded for their benefit in an aggregate value of \$13.5 billion in accordance with the terms of the TCC RSA (as further described under the heading “Restructuring Support Agreement with the TCC” in Note 14);

- compensation of insurance subrogation claimants from a trust funded for their benefit in the amount of \$11.0 billion in cash in accordance with the terms of the Subrogation Claims Settlement and Subrogation RSA (as further described under the heading “Restructuring Support Agreement with Holders of Subrogation Claims” in Note 14);
- payment of \$1.0 billion in cash in full settlement of the claims of the settling public entities relating to the wildfires (as further described under the heading “Plan Support Agreements with Public Entities” in Note 14);
- entitlement for the holders of claims related to the 2016 Ghost Ship fire to pursue their claims after the Effective Date, with any recovery being limited to amounts available under PG&E Corporation’s and the Utility’s insurance policies;
- refinancing of Utility Short-Term Notes, Utility Long-Term Notes and Utility Funded Debt (except Pollution Control Bonds Series 2008F and 2010E, which will be repaid in cash) with the issuance of new notes, reinstatement of Utility Reinstated Notes and reimbursement of the holders of Utility Long-Term Senior Notes for debt placement fees and the members of the Ad Hoc Noteholder Committee for professional fees of up to \$99 million (as further described under the heading “Restructuring Support Agreement with the Ad Hoc Noteholder Committee”);
- payment in full of all pre-petition funded debt obligations of PG&E Corporation, all pre-petition trade claims and all pre-petition employee-related unsecured claims;
- assumption of all power purchase agreements and community choice aggregation servicing agreements;
- assumption of all pension obligations, other employee obligations, and collective bargaining agreements with labor;
- future participation in the state wildfire fund established by AB 1054; and
- satisfaction of the requirements of AB 1054.

The Proposed Plan proposes the following key financing sources:

- one or more equity offerings of up to \$9.0 billion, in accordance with the Backstop Commitment Letters, although the Backstop Commitment Letters (as described below) permit PG&E Corporation to draw up to \$12.0 billion;
- the issuance of \$6.75 billion of new equity to the Fire Victim Trust;
- the issuance of \$4.75 billion of new PG&E Corporation debt;
- the reinstatement of \$9.575 billion of pre-petition debt of the Utility;
- the issuance of \$23.775 billion of new Utility debt, consisting of (i) \$6.2 billion of New Utility Long-Term Notes to be issued to holders of certain pre-petition senior notes of the Utility pursuant to the Proposed Plan, (ii) \$1.75 billion of New Utility Short-Term Notes to be issued to holders of certain pre-petition senior notes of the Utility pursuant to the Proposed Plan, (iii) \$3.9 billion of Utility Funded Debt Exchange Notes to be issued to holders of certain pre-petition indebtedness of the Utility pursuant to the Proposed Plan and (iv) \$11.925 billion of new debt securities or bank debt of the Utility to be issued to third parties for cash on or prior to the Effective Date (of which \$6.0 billion is expected to be repaid with the proceeds of a new securitization transaction after the Effective Date);
- approximately \$2.2 billion in proceeds of PG&E Corporation’s and the Utility’s liability insurance proceeds for wildfire events; and
- cash available to PG&E Corporation or the Utility immediately prior to the Effective Date.

On October 4, 2019, the CPUC issued an OII to consider the ratemaking and other implications of the Proposed Plan.

The Proposed Plan has not been approved and is subject to regulatory review by the CPUC and FERC, as and to the extent required by law, including as potentially causing a change in control under Section 203 of the Federal Power Act. The Proposed Plan may be further amended, modified, or supplemented as necessary or desired by PG&E Corporation and the Utility or as required by the Bankruptcy Court or the CPUC.

## *Disclosure Statement*

On February 7, 2020, pursuant to section 1125 of the Bankruptcy Code, PG&E Corporation and the Utility filed a proposed disclosure statement (the “Proposed Disclosure Statement”), with all schedules and exhibits thereto, for the Proposed Plan. PG&E Corporation and the Utility filed on February 18, 2020, a motion requesting that the Court (i) establish Plan solicitation and voting procedures, and (ii) approve the forms of Ballots, Solicitation Packages, and related notices to be sent to the various creditors and interest holders in connection with confirmation of the Plan (the “Solicitation Procedures Motion”). A hearing to consider approval of the Proposed Disclosure Statement and the relief requested in the Solicitation Procedures Motion is scheduled for March 10, 2020.

## *Restructuring Support Agreement with the Ad Hoc Noteholder Committee*

On January 22, 2020, PG&E Corporation and the Utility entered into the Noteholder RSA with those holders of senior unsecured debt of the Utility that are identified as “Consenting Noteholders” below and the Shareholder Proponents. The Noteholder RSA provides for, among other things, (i) the refinancing of the Utility’s senior unsecured debt in satisfaction of all claims arising out of the Utility Short-Term Senior Notes, the Utility Long-Term Senior Notes and the Utility Funded Debt, each as defined below, and (ii) the reinstatement of the Utility Reinstated Senior Notes, as defined below (together with the Utility Short-Term Senior Notes and Utility Long-Term Senior Notes, the “Utility Senior Note Claims”), in each case pursuant to the Proposed Plan and upon the terms and conditions set forth in the Noteholder RSA. Under the Noteholder RSA, PG&E Corporation and the Utility have also agreed to reimburse the holders of Utility Long-Term Senior Notes for debt placement fees and the members of the Ad Hoc Noteholder Committee for professional fees of up to \$99 million upon the terms and conditions set forth in the Noteholder RSA. The following holders of Utility Senior Notes Claims are party to the Noteholder RSA as “Consenting Noteholders” as of the date hereof: Apollo Global Management LLC, Elliott Management Corporation, Oaktree Capital Management L.P., Farallon Capital Management LLC, Capital Group, Värde Partners Inc., Davidson Kempner Capital Management LP, Canyon Capital Advisors LLC, Third Point LLC, Pacific Investment Management Company LLC, Citadel Advisors LLC and Sculptor Capital Investments, LLC. Any holder of Utility Senior Note Claims or Utility Funded Debt can become a party to the Noteholder RSA by executing the joinder attached to the Noteholder RSA.

The Noteholder RSA provides for the following treatment of Utility Senior Note Claims and Utility Funded Debt which treatment has been incorporated into the Proposed Plan:

- **Utility Short-Term Senior Notes:** Currently outstanding Utility notes maturing through 2022 in an aggregate principal amount of \$1.75 billion (the “Utility Short-Term Senior Notes”) will receive new Utility secured notes in the following aggregate principal amounts: \$875 million of new Utility 3.45% secured notes due 2025 and \$875 million of new Utility 3.75% secured notes due 2028 (together, the “New Utility Short-Term Notes”). The New Utility Short-Term Notes will otherwise have substantially similar terms and conditions as the Utility’s 6.05% Senior Notes due March 1, 2034. Additionally, holders of claims arising out of the Utility Short-Term Senior Notes will receive cash in an amount equal to the sum of (1) the amount of pre-petition interest outstanding on the Utility Short-Term Senior Notes calculated using the applicable non-default contract rate and (2) interest calculated using the federal judgment rate on the sum of (A) the applicable principal amount of the Utility Short-Term Senior Notes and (B) the amount in clause (1) for the period commencing on the day after the Petition Date and ending on the Effective Date.
- **Utility Long-Term Senior Notes:** All long-term Utility notes bearing an interest rate greater than 5% of which there is an aggregate principal amount outstanding of \$6.2 billion (the “Utility Long-Term Senior Notes”), will receive new Utility secured notes in the following aggregate principal amounts: \$3.1 billion of new Utility 4.55% secured notes due 2030 and \$3.1 billion of new Utility 4.95% secured notes due 2050 (together, the “New Utility Long-Term Notes”). The New Utility Long-Term Notes will otherwise have substantially similar terms and conditions as the Utility’s 3.95% Senior Notes due December 1, 2047. Additionally, holders of claims arising out of the Utility Long-Term Senior Notes will receive cash in an amount equal to the sum of (1) the amount of pre-petition interest outstanding on the Utility Long-Term Senior Notes calculated using the applicable non-default contract rate and (2) interest calculated using the federal judgment rate on the sum of (A) the applicable principal amount of the Utility Long-Term Senior Notes and (B) the amount in clause (1) for the period commencing on the Petition Date and ending on the Effective Date.
- **Utility Reinstated Senior Notes:** The remaining outstanding \$9.575 billion aggregate principal amount of Utility notes (the “Utility Reinstated Senior Notes”) will be reinstated on their contractual terms, including being secured equally and ratably with the New Utility Short-Term Notes and the New Utility Long-Term Notes.

- Utility Funded Debt: Holders of the Utility’s pre-petition credit facilities and Pollution Control bonds (collectively, the “Utility Funded Debt”) will receive new Utility secured notes in the following aggregate principal amounts: \$1.949 billion in new Utility 3.15% senior secured notes due 2025, and \$1.949 billion in new Utility 4.50% senior secured notes due 2040 (the “New Utility Funded Debt Exchange Notes”). The New Utility Funded Debt Exchange Notes will otherwise have substantially similar terms and conditions as the Utility’s 6.05% Senior Notes due March 1, 2034. Additionally, holders of claims arising out of the Utility Funded Debt will receive cash in an amount equal to the sum of (1) the amount of pre-petition interest outstanding on the Utility Funded Debt calculated using the applicable non-default contract rate, (2) fees and charges and other obligations owed as of the Petition Date in respect of the Utility Funded Debt, (3) reasonable attorney’s fees and expenses of counsel, subject a maximum of \$6 million and (4) interest calculated using the federal judgment rate on the sum of (A) the applicable principal amount of the Utility Funded Debt and (B) the amount in clauses (1) and (2) for the period commencing on the Petition Date and ending on the Effective Date.

The Noteholder RSA further provides that PG&E Corporation and the Utility must use their best efforts to cause various parties to PG&E Corporation and the Utility’s equity backstop commitment letters to transfer up to \$2.0 billion of equity backstop commitments to certain of the Consenting Noteholders.

Under the Noteholder RSA, each Consenting Noteholder must, among other things, (i) withdraw any participation in and support for the Ad Hoc Noteholder Plan, including by taking certain actions to defer further action on the make-whole and post-petition interest issues, (ii) immediately direct counsel for the Ad Hoc Noteholder Committee to suspend its motion to reconsider the Bankruptcy Court order approving the Subrogation RSA and the TCC RSA and oppose any and all efforts and procedures to terminate, vacate or modify the TCC RSA or the Subrogation RSA, (iii) immediately withdraw all discovery issued in connection with PG&E Corporation and the Utility’s motion to approve their exit financing and file a statement in support of such motion, (iv) immediately withdraw all filings submitted in any proceeding before the CPUC involving PG&E Corporation and the Utility and cease participation in any proceeding before the CPUC involving PG&E Corporation and the Utility, and (v) vote to accept the Proposed Plan. Further, each Consenting Noteholder and each of its affiliates shall not, among other things, object to, delay, impede or take any other action to interfere with the approval of PG&E Corporation and the Utility’s disclosure statement or the solicitation of votes to accept, acceptance, confirmation, or implementation of the Proposed Plan. Each Consenting Noteholder further agreed, subject to certain exceptions, not to transfer any of its claims against PG&E Corporation and the Utility, unless the transferee either is a Consenting Noteholder, or before such transfer agrees in writing to become a Consenting Noteholder and to be bound by all the terms of the Noteholder RSA.

The Noteholder RSA will automatically terminate if the Effective Date of the Proposed Plan does not occur on or prior to September 30, 2020 or December 31, 2020 if such later outside date is approved by the Bankruptcy Court.

The Noteholder RSA may be terminated by a majority of the Consenting Noteholders under certain circumstances, including, among others, if (i) the treatment of the Utility Senior Note Claims or claims arising from Utility Funded Debt in the Proposed Plan are, or are modified to be, inconsistent with the Noteholder RSA, (ii) an order confirming the Proposed Plan is not entered on or before June 30, 2020, (iii) PG&E Corporation and the Utility fail to achieve an investment grade rating on the new senior secured notes from at least one credit rating agency on the Effective Date, (iv) PG&E Corporation and the Utility’s equity backstop commitment letters representing a majority of the equity backstop commitments are terminated or (v) PG&E Corporation and the Utility or the Shareholder Proponents breach certain provisions of the Noteholder RSA. The Noteholder RSA may be terminated by PG&E Corporation and the Utility or the Shareholder Proponents under certain circumstances, including, among others, if the Consenting Noteholders breach certain provisions of the Noteholder RSA.

PG&E Corporation and the Utility and the Shareholder Proponents have separately agreed with certain of the Consenting Noteholders that, among other things, these Consenting Noteholders and certain of their representatives will not have any communications regarding the Proposed Plan, any changes to the Proposed Plan, or any alternative plan of reorganization or other strategic transaction related to PG&E Corporation and the Utility, with certain external stakeholders of PG&E Corporation and the Utility, including certain claimholders, government officials and certain of their representatives. This agreement will be filed under seal with the Bankruptcy Court.

### *Equity Backstop Commitments*

As of December 31, 2019, PG&E Corporation has entered into Chapter 11 Plan Backstop Commitment Letters (collectively, the “Backstop Commitment Letters”) with investors (collectively, the “Backstop Parties”), pursuant to which the Backstop Parties severally agreed to fund up to \$12.0 billion of proceeds to finance the Proposed Plan through the purchase of PG&E Corporation common stock, subject to the terms and conditions set forth in such Backstop Commitment Letters (the “Backstop Commitments”). The price at which any such new shares would be issued to the Backstop Parties would be equal to (a) 10 (subject to adjustment as provided in the Backstop Commitment Letters), times (b) PG&E Corporation’s consolidated Normalized Estimated Net Income (as defined in the Backstop Commitment Letters) for the estimated year 2021, divided by (c) the number of fully diluted shares of PG&E Corporation that will be outstanding on the effective date of the Proposed Plan (the “Effective Date”) (assuming that all equity is raised by funding the Backstop Commitments).

The Backstop Commitment Letters provide that, under certain circumstances, PG&E Corporation and the Utility will be permitted to issue new shares of common stock of PG&E Corporation for up to \$12.0 billion of proceeds to finance the transactions contemplated by the Proposed Plan through one or more equity offerings that, under certain circumstances, must include a rights offering (the “Rights Offering”). The structure, terms and conditions of any such equity offering (including a Rights Offering) are expected to be determined by PG&E Corporation and the Utility at a later time in the Chapter 11 process, subject to the terms and conditions of the Backstop Commitment Letters. This may include terms and conditions that are designed to preserve the ability of PG&E Corporation or the Utility to utilize their net operating loss carryforwards. There can be no assurance that any such equity offering would be successful. In the event that such equity offerings (together with additional permitted capital sources) do not raise at least \$12.0 billion of proceeds in the aggregate or if PG&E Corporation and the Utility do not otherwise consummate such offerings, then PG&E Corporation and the Utility may draw on the Backstop Commitments for equity funding to finance the transactions contemplated by the Proposed Plan, subject to the satisfaction or waiver by the Backstop Parties of the conditions set forth therein. Although the Backstop Commitment Letters permit PG&E Corporation to draw up to \$12.0 billion in equity, the Proposed Plan contemplates an equity raise of only \$9.0 billion, which equity will be raised in accordance with the terms of the Backstop Commitment Letters.

Under the Backstop Commitment Letters, PG&E Corporation agrees that if the Backstop Commitments are drawn, and PG&E Corporation does not expect to conduct a third-party transaction based upon or related to the utilization or monetization of any net operating losses or tax deductions resulting from the payment of pre-petition wildfire-related claims (a “Tax Benefits Monetization Transaction”) on the Effective Date, no later than five business days prior to the Effective Date, PG&E Corporation and the Utility must form a trust which would provide for periodic distributions of cash to the Backstop Parties in amounts equal to (i) all tax benefits arising from the payment of wildfire-related claims in excess of (ii) the first \$1.35 billion of tax benefits, starting with fiscal year 2020. PG&E Corporation intends to explore a Tax Benefits Monetization Transaction.

The Backstop Parties’ funding obligations under the Backstop Commitment Letters are subject to numerous conditions, including, among others, that (a) the Backstop Commitment Letters have been approved by the Bankruptcy Court, (b) the conditions precedent to the Effective Date set forth in the Proposed Plan have been satisfied or waived in accordance with the Proposed Plan, (c) the Bankruptcy Court has entered an order confirming the Proposed Plan and approving the transactions contemplated thereunder, which shall confirm the Proposed Plan with such amendments, modifications, changes and consents as are approved by holders of a majority of the aggregate Backstop Commitments (the “Confirmation Order”), (d) PG&E Corporation’s and the Utility’s weighted average earning rate base for 2021 is no less than 95% of \$48 billion, and (e) there has been no event, occurrence or other circumstance that would have or would reasonably be expected to have a material adverse effect on the business of PG&E Corporation and the Utility or their ability to consummate the transactions contemplated by the Backstop Commitment Letters and the Proposed Plan. The Backstop Parties have consented to move the deadline for Bankruptcy Court approval of the Backstop Commitment Letters to February 28, 2020.

In addition, the Backstop Parties have certain termination rights under the Backstop Commitment Letters, including, among others, if (a) the Proposed Plan (including as may be amended, modified or otherwise changed) does not include Abrams and Knighthead as plan proponents and is not in a form acceptable to each of Abrams and Knighthead, (b) the Bankruptcy Court has not entered an order approving the Backstop Commitment Letters by February 28, 2020, (c) PG&E Corporation's and the Utility's aggregate liability with respect to pre-petition wildfire-related claims exceeds \$25.5 billion, (d) the Proposed Plan is amended without the consent of the holders of a majority of the aggregate Backstop Commitments, (e) the Confirmation Order has not been entered by the Bankruptcy Court by June 30, 2020, (f) the Effective Date has not occurred within 60 days of entry of the Confirmation Order, (g) a material adverse effect (as described above) occurs, (h) wildfires occur in the Utility's service area in 2019 that damage or destroy in excess of 500 dwellings or commercial structures in the aggregate, (i) the CPUC fails to issue all necessary approvals, authorizations and final orders to implement the Proposed Plan prior to June 30, 2020, including approvals related to the Utility's capital structure and authorized rate of return and the resolution of the CPUC's claims against the Utility for fines or penalties, all of which must be satisfactory to the holders of a majority of the aggregate Backstop Commitments, (j) the amount of asserted administrative expense claims or the amount of administrative expense claims PG&E Corporation and the Utility have reserved for and/or paid in the aggregate exceeds \$250 million, in each case excluding administrative expense claims that are ordinary course, professional fee claims, claims that are disallowed in the Chapter 11 Cases and the portion of an administrative expense claim that is covered by insurance, (k) one or more wildfires occur in the Utility's service area on or after January 1, 2020 that damage or destroy at least 500 dwellings or commercial structures in the aggregate at a time when the portion of the Utility's system at the location of such wildfire was not successfully de-energized, (l) as of the Effective Date, the Utility has not elected and received Bankruptcy Court approval, or satisfied the other required conditions, to participate in the statewide wildfire fund established by AB 1054, (m) at any time the Bankruptcy Court determines that PG&E Corporation and the Utility are insolvent, (n) PG&E Corporation and the Utility enter into any Tax Benefit Monetization Transaction and the net cash proceeds thereof are less than \$3.0 billion, excluding the \$1.35 billion of tax benefits to be utilized in the Proposed Plan, and (o) the Proposed Plan or any supplements to or other documents in connection with the Proposed Plan has been amended, modified or changed, without the consent of the holders of at least 66 2/3% of the aggregate Backstop Commitments, to include a process for transferring the license and operating assets of the Utility to the State of California or a third party (a "Transfer") or PG&E Corporation and the Utility effect a Transfer other than pursuant to the Proposed Plan. There can be no assurance that the conditions precedent set forth in the Backstop Commitment Letters will be satisfied or waived, nor that events or circumstances will not occur that give rise to termination rights of the Backstop Parties.

The commitment premium for the Backstop Commitments is 6.364% of the amount of the Backstop Commitments. Such commitment premium will be earned in full upon Bankruptcy Court approval of the Backstop Commitment Letters, subject to clawback under certain circumstances set forth in the Backstop Commitment Letters. Subject to limited exceptions, all commitment premiums are payable in shares of common stock of PG&E Corporation to be issued on the Effective Date, and the number of such shares to be paid as commitment premiums will be calculated using the backstop price described above. In the event that a plan of reorganization for PG&E Corporation that is not the Proposed Plan is confirmed by the Bankruptcy Court, then the backstop commitment premium will be payable in cash if elected by the applicable Backstop Party. Under the Backstop Commitment Letters, PG&E Corporation and the Utility have also agreed to reimburse the Backstop Parties for reasonable professional fees and expenses of up to \$17 million in the aggregate for the legal advisor and \$19 million in the aggregate for the financial advisor, upon the terms and conditions set forth in the Backstop Commitment Letters.

#### *Debt Commitment Letters*

On October 11, 2019, PG&E Corporation and the Utility entered into debt commitment letters, which were subsequently amended on November 18, 2019, December 20, 2019, January 30, 2020, and February 14, 2020 (as amended, the "Debt Commitment Letters") with JPMorgan Chase Bank, N.A., Bank of America, N.A., BofA Securities, Inc., Barclays Bank PLC, Citigroup Global Markets Inc., Goldman Sachs Bank USA, Goldman Sachs Lending Partners LLC and the other lenders that may become parties to the Debt Commitment Letters as additional "Commitment Parties" as provided therein (the foregoing parties, collectively, the "Commitment Parties"), pursuant to which the Commitment Parties committed to provide \$10.825 billion in bridge financing in the form of (a) a \$5.825 billion senior secured bridge loan facility (the "OpCo Facility") with the Utility or any domestic entity formed to hold all of the assets of the Utility upon emergence from bankruptcy (the Utility or any such entity, the "OpCo Borrower") as borrower thereunder and (b) a \$5.00 billion senior unsecured bridge loan facility (together with the OpCo Facility, the "Facilities") with PG&E Corporation or any domestic entity formed to hold all of the assets of PG&E Corporation upon emergence from bankruptcy (the Corporation or any such entity, the "HoldCo Borrower") as borrower thereunder, subject to the terms and conditions set forth therein. The commitments under the Debt Commitment Letters will expire on August 29, 2020, unless terminated earlier pursuant to the termination rights described below.



Borrowings under the OpCo Facility would be senior secured obligations of the OpCo Borrower, secured by substantially all of the assets of the OpCo Borrower. Borrowings under the HoldCo Facility would be senior unsecured obligations of the HoldCo Borrower. The OpCo Borrower's obligations under the OpCo Facility, and the HoldCo Borrower's obligations under the HoldCo Facility, would not be guaranteed by any other entity. The scheduled maturity of each of the Facilities would be 364 days following the date the Facilities are funded. PG&E Corporation and the Utility will pay customary fees and expenses in connection with obtaining the Facilities.

In connection with the anticipated funding for the Proposed Plan and the anticipated amount of debt and equity to be used for funding thereunder, on February 14, 2020, the Debt Commitment Letters were amended to, among other things, (1) adjust the maximum amount of any roll-over, "take-back" or reinstated debt permitted under the Facilities from \$30.0 billion to \$33.35 billion at the Utility and from \$7.0 billion to \$5.0 billion at PG&E Corporation and (2) increase the amount of proceeds from the issuance of debt securities or other debt for borrowed money as a condition to funding from \$2.0 billion at PG&E Corporation to \$6.0 billion at the Utility.

The Commitment Parties' funding obligations under the Debt Commitment Letters are subject to numerous conditions and termination rights, including, among others, certain conditions and termination rights similar to those included in the Backstop Commitment Letters, in addition to conditions that are not in the Backstop Commitment Letters, including (a) the delivery of specified financial information, (b) PG&E Corporation's receipt of at least \$9.0 billion of proceeds from the issuance of equity, (c) the execution of definitive documentation for the Facilities and (d) that the Utility shall have received investment grade senior secured debt ratings. In addition, the Debt Commitment Letters are subject to approval by the Bankruptcy Court on or before February 28, 2020, and the Utility's ability to borrow under the OpCo Facility is subject to approval by the CPUC.

In lieu of entering into the Facilities, PG&E Corporation and the Utility intend to obtain permanent financing on or prior to emergence from bankruptcy in the form of bank facilities, debt securities or a combination of the foregoing.

On October 23, 2019, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court seeking approval of the Backstop Commitment Letters, the Debt Commitment Letters and certain related matters. The hearing on PG&E Corporation's and the Utility's motion to approve the Backstop Commitment Letters, the Debt Commitment Letters and certain related matters is scheduled for February 26, 2020.

The timing and outcome of the Chapter 11 Cases is uncertain. Although PG&E Corporation, the Utility, the Bankruptcy Court, the CPUC and many other stakeholders have stated that they are working towards confirming a plan of reorganization by June 30, 2020, it is possible that the Chapter 11 process could extend beyond the June 30, 2020 deadline and take a number of years to resolve.

#### ***Ad Hoc Noteholder Plan of Reorganization***

On October 17, 2019, the TCC and the Ad Hoc Noteholder Committee filed the Ad Hoc Noteholder Plan. On December 19, 2019, pursuant to the TCC RSA (described below), the TCC filed a notice of withdrawal as a plan proponent of the Ad Hoc Noteholder Plan with the Bankruptcy Court. The Ad Hoc Noteholder Plan differed from the Proposed Plan in a number of respects, including, but not limited to, its treatment of equity interests, its treatment of holders of claims in respect of debt of PG&E Corporation and the Utility and its financing sources.

On January 22, 2020, the Ad Hoc Noteholder Committee entered into the Noteholder RSA with PG&E Corporation and the Utility, under which it agreed, upon entry of the order of the Bankruptcy Court approving the Noteholder RSA, to withdraw any participation in and support for the Ad Hoc Noteholder Plan, including by taking certain actions to defer further action on the make-whole and post-petition interest issues. On February 4, 2020, the Noteholder RSA was approved by the Bankruptcy Court, and on February 5, 2020, the Ad Hoc Noteholder Committee withdrew the Ad Hoc Noteholder Plan. It is possible that, if the Noteholder RSA is terminated, the Ad Hoc Noteholder Committee could re-file a competing plan with similar or different terms.

#### **Debtor-In-Possession Financing**

See Note 5 for further discussion of the DIP Facilities, which provide up to \$5.5 billion in financing.

## **Financial Reporting in Reorganization**

Effective on the Petition Date, PG&E Corporation and the Utility began to apply accounting standards applicable to reorganizations, which are applicable to companies under Chapter 11 bankruptcy protection. These accounting standards require the financial statements for periods subsequent to the Petition Date to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Expenses, realized gains and losses, and provisions for losses that are directly associated with reorganization proceedings must be reported separately as reorganization items, net in the Consolidated Statements of Income. In addition, the balance sheet must distinguish pre-petition LSTC of PG&E Corporation and the Utility from pre-petition liabilities that are not subject to compromise, post-petition liabilities, and liabilities of the subsidiaries of PG&E Corporation that are not debtors in the Chapter 11 Cases in the Consolidated Balance Sheets. LSTC are pre-petition obligations that are not fully secured and have at least a possibility of not being repaid at the full claim amount. Where there is uncertainty about whether a secured claim will be paid or impaired pursuant to the Chapter 11 Cases, PG&E Corporation and the Utility have classified the entire amount of the claim as LSTC.

Furthermore, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession, actions to enforce or otherwise effect the payment of certain claims against PG&E Corporation and the Utility in existence before the Petition Date are stayed while PG&E Corporation and the Utility continue business operations as debtors-in-possession. These claims are reflected as LSTC in the Consolidated Balance Sheets at December 31, 2019. Additional claims (which could be LSTC) may arise after the Petition Date resulting from the rejection of executory contracts, including leases, and from the determination by the Bankruptcy Court (or agreement by parties-in-interest) of allowed claims for contingencies and other disputed amounts.

PG&E Corporation's Consolidated Financial Statements are presented on a consolidated basis and include the accounts of PG&E Corporation and the Utility and other subsidiaries of PG&E Corporation and the Utility that individually and in aggregate are immaterial. Such other subsidiaries did not file for bankruptcy.

The Utility's Consolidated Financial Statements are presented on a consolidated basis and include the accounts of the Utility and other subsidiaries of the Utility that individually and in aggregate are immaterial. Such other subsidiaries did not file for bankruptcy.

## **Liabilities Subject to Compromise**

As a result of the commencement of the Chapter 11 Cases, the payment of pre-petition liabilities is subject to compromise or other treatment pursuant to a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-petition liabilities are stayed. Although payment of pre-petition claims generally is not permitted, the Bankruptcy Court granted PG&E Corporation and the Utility authority to pay certain pre-petition claims in designated categories and subject to certain terms and conditions. This relief generally was designed to preserve the value of PG&E Corporation's and the Utility's business and assets. As described above, among other things, the Bankruptcy Court authorized, but did not require, PG&E Corporation and the Utility to pay certain pre-petition claims relating to employee wages and benefits, taxes, and amounts owed to certain vendors.

The determination of how liabilities will ultimately be settled or treated cannot be made until the Bankruptcy Court confirms a Chapter 11 plan of reorganization and such plan becomes effective. Accordingly, the ultimate amount of such liabilities is not determinable at this time. GAAP requires pre-petition liabilities that are subject to compromise to be reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for different amounts. The amounts currently classified as LSTC are preliminary and may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, rejection of executory contracts, continued reconciliation or other events.

The following table presents LSTC as reported in the Consolidated Balance Sheets at December 31, 2019:

(in millions)	Utility	PG&E Corporation <sup>(1)</sup>	PG&E Corporation Consolidated
Financing debt <sup>(2)</sup>	\$ 22,450	\$ 666	\$ 23,116
Wildfire-related claims <sup>(3)</sup>	25,548	—	25,548
Trade creditors	1,183	5	1,188
Non-qualified benefit plan	20	137	157
2001 bankruptcy disputed claims <sup>(4)</sup>	234	—	234
Customer deposits & advances	71	—	71
Other	230	2	232
<b>Total Liabilities Subject to Compromise</b>	<b>\$ 49,736</b>	<b>\$ 810</b>	<b>\$ 50,546</b>

<sup>(1)</sup> PG&E Corporation amounts reflected under the column "PG&E Corporation" exclude the accounts of the Utility.

<sup>(2)</sup> At December 31, 2019, PG&E Corporation and the Utility had \$650 million and \$21,526 million in aggregate principal amount of pre-petition indebtedness, respectively. Pre-petition financing debt includes accrued contractual interest of \$1 million and \$286 million for PG&E Corporation and the Utility, respectively, to the Petition Date. Financing debt also includes post-petition interest of \$15 million and \$638 million for PG&E Corporation and the Utility, respectively, in accordance with the terms of the Noteholder RSA. See Note 5 for details of pre-petition debt reported as LSTC.

<sup>(3)</sup> See "Pre-petition Wildfire-related claims" in Note 14 for information regarding pre-petition wildfire-related claims reported as LSTC.

<sup>(4)</sup> 2001 bankruptcy disputed claims includes \$14 million of interest recorded at the interest rate specified by FERC in accordance with S35.19a of the Commission's regulations.

### Interest on Debt Subject to Compromise

On December 30, 2019, the Bankruptcy Court issued a memorandum decision in which it ruled that the UCC is entitled to post-petition interest at the Federal Judgment Rate of 2.59%. Pursuant to the Noteholder RSA, holders of \$11.9 billion in aggregate principal amount of Utility Short-Term Senior Notes, Utility Long-Term Senior Notes and Utility Funded Debt will receive interest at the contractual rate for accrued and unpaid pre-petition interest plus interest at the Federal Judgment Rate on the sum of the applicable principal plus the amount of accrued and unpaid interest for the period commencing the day after the Petition Date and ending on the Effective Date. The \$9.58 billion in aggregate principal of Utility Reinstated Senior notes will accrue interest at the contractual rate in accordance with the terms of the Noteholder RSA. From the Petition Date through December 31, 2019, the Utility concluded that interest was probable of being an allowed claim and resumed recording interest on pre-petition debt subject to compromise in accordance with the Noteholder RSA. For more information on Interest on Debt Subject to Compromise, see Note 5 of the Notes to the Consolidated Financial Statements.

### Potential Claims

PG&E Corporation and the Utility have received a substantial number of proofs of claim since the Petition Date and are early in the process of reconciling those claims to the amounts listed in the schedules of assets and liabilities. PG&E Corporation and the Utility may ask the Bankruptcy Court to disallow claims that they believe are duplicative, have been later amended or superseded, are without merit, are overstated, were filed late, or should be disallowed for other reasons. Differences between liability amounts recorded by PG&E Corporation and the Utility as liabilities subject to compromise and claims filed by creditors will be investigated and, if necessary, the Bankruptcy Court will make a final determination of the allowed amount of the claim. Differences between those final allowed claims and the liabilities recorded in the Consolidated Balance Sheet will be recognized as reorganization items in PG&E Corporation's and the Utility's Statement of Consolidated Income (Loss) as they are resolved. The determination of how liabilities will ultimately be resolved cannot be made until the Bankruptcy Court approves a plan of reorganization or approves orders related to settlement of specific liabilities. Accordingly, the ultimate amount or resolution of such liabilities is not determinable at this time. The resolution of such claims could result in substantial adjustments to PG&E Corporation's and the Utility's financial statements.

## Reorganization Items, Net

Reorganization items, net represent amounts incurred after the Petition Date as a direct result of the Chapter 11 Cases and are comprised of professional fees and financing costs, net of interest income. Reorganization items also include adjustments to reflect the carrying value of LSTC at their estimated allowed claim amounts, as such adjustments are approved by the Bankruptcy Court. Cash paid for reorganization items, net was \$15 million and \$223 million for PG&E Corporation and the Utility, respectively, during the year ended December 31, 2019. Reorganization items, net from the Petition Date through December 31, 2019 include the following:

(in millions)	Petition Date Through December 31, 2019		
	Utility	PG&E Corporation <sup>(1)</sup>	PG&E Corporation Consolidated
Debtor-in-possession financing costs	\$ 97	\$ 17	\$ 114
Legal and other	273	19	292
Interest income	(50)	(10)	(60)
Adjustments to LSTC	—	—	—
<b>Total reorganization items, net</b>	<b>\$ 320</b>	<b>\$ 26</b>	<b>\$ 346</b>

<sup>(1)</sup> PG&E Corporation amounts reflected under the column “PG&E Corporation” exclude the accounts of the Utility.

## The Bankruptcy Court’s Decision on its Authority over PG&E Corporation’s and the Utility’s Rejection of Power Purchase Agreements

On June 7, 2019, the Bankruptcy Court granted PG&E Corporation’s and the Utility’s motion for declaratory judgment in an adversary proceeding entitled Pacific Gas and Electric Company v. FERC. In its amended declaratory judgment, the Bankruptcy Court found that FERC had no “concurrent jurisdiction, or any jurisdiction, over the determination of whether any rejections of power purchase contracts by either Debtor should be authorized” pursuant to section 365 of the Bankruptcy Code. The Bankruptcy Court also found that the “Debtors do not need approval from the Federal Energy Regulatory Commission to reject any of their power purchase contracts” and that “[a]ny determinations of the Federal Energy Regulatory Commission” that were contrary to these findings “are void, of no force and effect and not binding on this court or either Debtor.” The Bankruptcy Court further stated that such determinations include, but are not limited to, those previously made in certain FERC proceedings initiated before the Chapter 11 Cases were filed in connection with power purchase contracts with the Utility (the “FERC Orders”).

On June 12, 2019, the Bankruptcy Court certified its amended declaratory judgment for direct appeal to the United States Court of Appeals for the Ninth Circuit. On July 15, 2019, FERC and certain counterparties to the Utility’s power purchase agreements filed requests for the Ninth Circuit to permit such direct appeal, which the Ninth Circuit granted on September 17, 2019. On September 17, 2019, the Ninth Circuit granted the requests and docketed both appeals. Opening briefs of FERC and the other appellants were filed on November 20, 2019, PG&E Corporation’s and the Utility’s answering brief was filed on December 20, 2019, and reply briefs of FERC and the other appellants were filed on January 17, 2020. Separately, on June 26, 2019, the Utility filed a petition for review of the FERC Orders, also in the Ninth Circuit. On September 20, 2019, the Ninth Circuit granted the Utility’s motion to align the briefing schedule with the direct appeals from the Bankruptcy Court. The Utility’s opening brief was filed on November 20, 2019, FERC’s and respondent-intervenors’ answering briefs were filed on December 20, 2019, and the Utility’s reply brief was filed on January 17, 2020.

The Proposed Plan proposes to assume all power purchase agreements and community choice aggregation servicing agreements.

## **Resolution of Remaining 2001 Chapter 11 Disputed Claims**

Various electricity suppliers filed claims in the Utility's 2001 prior proceeding filed under Chapter 11 of the U.S. Bankruptcy Code seeking payment for energy supplied to the Utility's customers between May 2000 and June 2001. While the FERC and judicial proceedings are pending, the Utility pursued settlements with electricity suppliers and entered into a number of settlement agreements with various electricity suppliers to resolve some of these disputed claims and to resolve the Utility's refund claims against these electricity suppliers. Under these settlement agreements, amounts payable by the parties, in some instances, would be subject to adjustment based on the outcome of the various refund offset and interest issues being considered by the FERC. Generally, any net refunds, claim offsets, or other credits that the Utility receives from electricity suppliers either through settlement or through the conclusion of the various FERC and judicial proceedings are refunded to customers through rates in future periods.

The Utility's obligations with respect to such claims (all of which arose prior to the initiation of the Utility's pending Chapter 11 Case on January 29, 2019), including pursuant to any prior settlements relating thereto, will not be resolved until after emergence from the Chapter 11 Cases.

### **NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Loss Contingencies**

A provision for a loss contingency is recorded when it is both probable that a liability has been incurred and the amount of the liability can reasonably be estimated. PG&E Corporation and the Utility evaluate which potential liabilities are probable and the related range of reasonably estimated losses and record a charge that reflects their best estimate or the lower end of the range, if there is no better estimate. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of losses is estimable, often involves a series of complex judgments about future events. Loss contingencies are reviewed quarterly and estimates are adjusted to reflect the impact of all known information, such as negotiations, discovery, settlements and payments, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. PG&E Corporation's and the Utility's provision for loss and expense excludes anticipated legal costs, which are expensed as incurred.

#### **Regulation and Regulated Operations**

The Utility follows accounting principles for rate-regulated entities and collects rates from customers to recover "revenue requirements" that have been authorized by the CPUC or the FERC based on the Utility's cost of providing service. The Utility's ability to recover a significant portion of its authorized revenue requirements through rates is generally independent, or "decoupled," from the volume of the Utility's electricity and natural gas sales. The Utility records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for nonregulated entities. The Utility capitalizes and records, as regulatory assets, costs that would otherwise be charged to expense if it is probable that the incurred costs will be recovered in future rates. Regulatory assets are amortized over the future periods in which the costs are recovered. If costs expected to be incurred in the future are currently being recovered through rates, the Utility records those expected future costs as regulatory liabilities. Amounts that are probable of being credited or refunded to customers in the future are also recorded as regulatory liabilities.

The Utility also records a regulatory balancing account asset or liability for differences between customer billings and authorized revenue requirements that are probable of recovery or refund. In addition, the Utility records a regulatory balancing account asset or liability for differences between incurred costs and customer billings or authorized revenue meant to recover those costs, to the extent that these differences are probable of recovery or refund. These differences have no impact on net income. See "Revenue Recognition" below.

Management continues to believe the use of regulatory accounting is applicable and that all regulatory assets and liabilities are recoverable or refundable. To the extent that portions of the Utility's operations cease to be subject to cost of service rate regulation, or recovery is no longer probable as a result of changes in regulation or other reasons, the related regulatory assets and liabilities are written off.

## **Revenue Recognition**

### ***Revenue from Contracts with Customers***

The Utility recognizes revenues when electricity and natural gas services are delivered. The Utility records unbilled revenues for the estimated amount of energy delivered to customers but not yet billed at the end of the period. Unbilled revenues are included in accounts receivable on the Consolidated Balance Sheets. Rates charged to customers are based on CPUC and FERC authorized revenue requirements. Revenues can vary significantly from period to period because of seasonality, weather, and customer usage patterns.

### ***Regulatory Balancing Account Revenue***

The CPUC authorizes most of the Utility's revenues in the Utility's GRC and its GT&S rate cases, which generally occur every three or four years. The Utility's ability to recover revenue requirements authorized by the CPUC in these rate cases is independent or "decoupled" from the volume of the Utility's sales of electricity and natural gas services. The Utility recognizes revenues that have been authorized for rate recovery, are objectively determinable and probable of recovery, and are expected to be collected within 24 months. Generally, electric and natural gas operating revenue is recognized ratably over the year. The Utility records a balancing account asset or liability for differences between customer billings and authorized revenue requirements that are probable of recovery or refund.

The CPUC also has authorized the Utility to collect additional revenue requirements to recover costs that the Utility has been authorized to pass on to customers, including costs to purchase electricity and natural gas, and to fund public purpose, demand response, and customer energy efficiency programs. In general, the revenue recognition criteria for pass-through costs billed to customers are met at the time the costs are incurred. The Utility records a regulatory balancing account asset or liability for differences between incurred costs and customer billings or authorized revenue meant to recover those costs, to the extent that these differences are probable of recovery or refund. As a result, these differences have no impact on net income.

The following table presents the Utility's revenues disaggregated by type of customer:

(in millions)	Year Ended	
	2019	2018
<b>Electric</b>		
Revenue from contracts with customers		
Residential	\$ 4,847	\$ 5,051
Commercial	4,756	4,908
Industrial	1,493	1,532
Agricultural	1,106	1,234
Public street and highway lighting	67	72
Other <sup>(1)</sup>	168	(720)
Total revenue from contracts with customers - electric	12,437	12,077
Regulatory balancing accounts <sup>(2)</sup>	303	636
<b>Total electric operating revenue</b>	<b>\$ 12,740</b>	<b>\$ 12,713</b>
<b>Natural gas</b>		
Revenue from contracts with customers		
Residential	\$ 2,325	\$ 2,042
Commercial	605	537
Transportation service only	1,249	1,151
Other <sup>(1)</sup>	123	75
Total revenue from contracts with customers - gas	4,302	3,805
Regulatory balancing accounts <sup>(2)</sup>	87	242
<b>Total natural gas operating revenue</b>	<b>4,389</b>	<b>4,047</b>
<b>Total operating revenues</b>	<b>\$ 17,129</b>	<b>\$ 16,760</b>

<sup>(1)</sup> This activity is primarily related to the change in unbilled revenue and amounts subject to refund, partially offset by other miscellaneous revenue items.

<sup>(2)</sup> These amounts represent revenues authorized to be billed or refunded to customers.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments with original maturities of three months or less. Cash equivalents are stated at fair value.

### Allowance for Doubtful Accounts Receivable

PG&E Corporation and the Utility recognize an allowance for doubtful accounts to record uncollectable customer accounts receivable at estimated net realizable value. The allowance is determined based upon a variety of factors, including historical write-off experience, aging of receivables, current economic conditions, and assessment of customer collectability.

### Inventories

Inventories are carried at weighted-average cost and include natural gas stored underground as well as materials and supplies. Natural gas stored underground is recorded to inventory when injected and then expensed as the gas is withdrawn for distribution to customers or to be used as fuel for electric generation. Materials and supplies are recorded to inventory when purchased and expensed or capitalized to plant, as appropriate, when consumed or installed.

### Emission Allowances

The Utility purchases GHG emission allowances to satisfy its compliance obligations. Associated costs are recorded as inventory and included in current assets – other and other noncurrent assets – other on the Consolidated Balance Sheets. Costs are carried at weighted-average and are recoverable through rates.

## Property, Plant, and Equipment

Property, plant, and equipment are reported at the lower of their historical cost less accumulated depreciation or fair value. Historical costs include labor and materials, construction overhead, and AFUDC. (See “AFUDC” below.) The Utility’s total estimated useful lives and balances of its property, plant, and equipment were as follows:

(in millions, except estimated useful lives)	Estimated Useful Lives (years)	Balance at December 31,	
		2019	2018
Electricity generating facilities <sup>(1)</sup>	10 to 75	\$ 13,189	\$ 13,047
Electricity distribution facilities	10 to 65	35,237	32,926
Electricity transmission facilities	15 to 75	14,281	13,177
Natural gas distribution facilities	20 to 60	14,236	13,296
Natural gas transmission and storage facilities	5 to 66	8,452	8,260
Construction work in progress		2,675	2,564
Other		18	—
<b>Total property, plant, and equipment</b>		<b>88,088</b>	<b>83,270</b>
Accumulated depreciation		(26,453)	(24,713)
<b>Net property, plant, and equipment</b>		<b>\$ 61,635</b>	<b>\$ 58,557</b>

<sup>(1)</sup> Balance includes nuclear fuel inventories. Stored nuclear fuel inventory is stated at weighted-average cost. Nuclear fuel in the reactor is expensed as it is used based on the amount of energy output. (See Note 15 below.)

The Utility depreciates property, plant, and equipment using the composite, or group, method of depreciation, in which a single depreciation rate is applied to the gross investment balance in a particular class of property. This method approximates the straight line method of depreciation over the useful lives of property, plant, and equipment. The Utility’s composite depreciation rates were 3.80% in 2019, 3.82% in 2018, and 3.83% in 2017. The useful lives of the Utility’s property, plant, and equipment are authorized by the CPUC and the FERC, and the depreciation expense is recovered through rates charged to customers. Depreciation expense includes a component for the original cost of assets and a component for estimated cost of future removal, net of any salvage value at retirement. Upon retirement, the original cost of the retired assets, net of salvage value, is charged against accumulated depreciation. The cost of repairs and maintenance, including planned major maintenance activities and minor replacements of property, is charged to operating and maintenance expense as incurred.

## AFUDC

AFUDC represents the estimated costs of debt (i.e., interest) and equity funds used to finance regulated plant additions before they go into service and is capitalized as part of the cost of construction. AFUDC is recoverable from customers through rates over the life of the related property once the property is placed in service. AFUDC related to the cost of debt is recorded as a reduction to interest expense. AFUDC related to the cost of equity is recorded in other income. The Utility recorded AFUDC related to debt and equity, respectively, of \$55 million and \$79 million during 2019, \$53 million and \$129 million during 2018, and \$38 million and \$89 million during 2017.

## Asset Retirement Obligations

The following table summarizes the changes in ARO liability during 2019 and 2018, including nuclear decommissioning obligations:

(in millions)	2019	2018
ARO liability at beginning of year	\$ 5,994	\$ 4,899
Revision in estimated cash flows	(376)	993
Accretion	274	211
Liabilities settled	(38)	(109)
<b>ARO liability at end of year</b>	<b>\$ 5,854</b>	<b>\$ 5,994</b>



The Utility has not recorded a liability related to certain AROs for assets that are expected to operate in perpetuity. As the Utility cannot estimate a settlement date or range of potential settlement dates for these assets, reasonable estimates of fair value cannot be made. As such, ARO liabilities are not recorded for retirement activities associated with substations, certain hydroelectric facilities; removal of lead-based paint in some facilities and certain communications equipment from leased property; and restoration of land to the conditions under certain agreements.

### ***Nuclear Decommissioning Obligation***

Detailed studies of the cost to decommission the Utility's nuclear generation facilities are generally conducted every three years in conjunction with the Nuclear Decommissioning Cost Triennial Proceeding conducted by the CPUC. The decommissioning cost estimates are based on the plant location and cost characteristics for the Utility's nuclear power plants. Actual decommissioning costs may vary from these estimates as a result of changes in assumptions such as decommissioning dates; regulatory requirements; technology; and costs of labor, materials, and equipment. The Utility recovers its revenue requirements for decommissioning costs from customers through a non-bypassable charge that the Utility expects will continue until those costs are fully recovered.

The total nuclear decommissioning obligation accrued was \$4.9 billion and \$4.7 billion at December 31, 2019 and 2018, respectively. The estimated undiscounted nuclear decommissioning cost for the Utility's nuclear power plants was \$10.6 billion at December 31, 2019 and 2018.

### **Disallowance of Plant Costs**

PG&E Corporation and the Utility record a charge when it is both probable that costs incurred or projected to be incurred for recently completed plant will not be recoverable through rates charged to customers and the amount of disallowance can be reasonably estimated. See "Enforcement and Litigation Matters" in Note 15 below.

### **Nuclear Decommissioning Trusts**

The Utility's nuclear generation facilities consist of two units at Diablo Canyon and one retired facility at Humboldt Bay. Nuclear decommissioning requires the safe removal of a nuclear generation facility from service and the reduction of residual radioactivity to a level that permits termination of the NRC license and release of the property for unrestricted use. The Utility's nuclear decommissioning costs are recovered from customers through rates and are held in trusts until authorized for release by the CPUC.

The Utility classifies its debt investments held in the nuclear decommissioning trusts as available-for-sale. Since the Utility's nuclear decommissioning trust assets are managed by external investment managers, the Utility does not have the ability to sell its investments at its discretion. Therefore, all unrealized losses are considered other-than-temporary impairments. Gains or losses on the nuclear decommissioning trust investments are refundable or recoverable, respectively, from customers through rates. Therefore, trust earnings are deferred and included in the regulatory liability for recoveries in excess of the ARO. There is no impact on the Utility's earnings or accumulated other comprehensive income. The cost of debt and equity securities sold by the trust is determined by specific identification.

### **Variable Interest Entities**

A VIE is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or whose equity investors lack any characteristics of a controlling financial interest. An enterprise that has a controlling financial interest in a VIE is a primary beneficiary and is required to consolidate the VIE.

Some of the counterparties to the Utility's power purchase agreements are considered VIEs. Each of these VIEs was designed to own a power plant that would generate electricity for sale to the Utility. To determine whether the Utility was the primary beneficiary of any of these VIEs at December 31, 2019, it assessed whether it absorbs any of the VIE's expected losses or receives any portion of the VIE's expected residual returns under the terms of the power purchase agreement, analyzed the variability in the VIE's gross margin, and considered whether it had any decision-making rights associated with the activities that are most significant to the VIE's performance, such as dispatch rights and operating and maintenance activities. The Utility's financial obligation is limited to the amount the Utility pays for delivered electricity and capacity. The Utility did not have any decision-making rights associated with any of the activities that are most significant to the economic performance of any of these VIEs. Since the Utility was not the primary beneficiary of any of these VIEs at December 31, 2019, it did not consolidate any of them.

## Other Accounting Policies

For other accounting policies impacting PG&E Corporation's and the Utility's Consolidated Financial Statements, see "Income Taxes" in Note 9, "Derivatives" in Note 10, "Fair Value Measurements" in Note 11, and "Contingencies and Commitments" in Notes 14 and 15 herein.

### Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

The changes, net of income tax, in PG&E Corporation's accumulated other comprehensive income (loss) for the year ended December 31, 2019 consisted of the following:

(in millions, net of income tax)	Pension Benefits	Other Benefits	Total
Beginning balance	\$ (21)	\$ 17	\$ (4)
<b>Other comprehensive income before reclassifications:</b>			
Unrecognized net actuarial loss (net of taxes of \$24 and \$88, respectively)	61	227	288
Regulatory account transfer (net of taxes of \$24 and \$88, respectively)	(62)	(227)	(289)
<b>Amounts reclassified from other comprehensive income:</b>			
Amortization of prior service cost (net of taxes of \$2 and \$4, respectively) <sup>(1)</sup>	(4)	10	6
Amortization of net actuarial loss (net of taxes of \$1 and \$1, respectively) <sup>(1)</sup>	2	(2)	—
Regulatory account transfer (net of taxes of \$1 and \$3, respectively) <sup>(1)</sup>	2	(8)	(6)
<b>Net current period other comprehensive loss</b>	<b>(1)</b>	<b>—</b>	<b>(1)</b>
<b>Ending balance</b>	<b>\$ (22)</b>	<b>\$ 17</b>	<b>\$ (5)</b>

<sup>(1)</sup> These components are included in the computation of net periodic pension and other postretirement benefit costs. (See Note 12 below for additional details.)

The changes, net of income tax, in PG&E Corporation's accumulated other comprehensive income (loss) for the year ended December 31, 2018 consisted of the following:

(in millions, net of income tax)	Pension Benefits	Other Benefits	Total
Beginning balance	\$ (25)	\$ 17	\$ (8)
<b>Other comprehensive income before reclassifications:</b>			
Unrecognized net actuarial loss (net of taxes of \$41 and \$9, respectively)	(104)	(23)	(127)
Regulatory account transfer (net of taxes of \$41 and \$9, respectively)	107	23	130
<b>Amounts reclassified from other comprehensive income:</b>			
Amortization of prior service cost (net of taxes of \$2 and \$4, respectively) <sup>(1)</sup>	(4)	10	6
Amortization of net actuarial loss (net of taxes of \$2 and \$1, respectively) <sup>(1)</sup>	3	(4)	(1)
Regulatory account transfer (net of taxes of \$1 and \$3, respectively) <sup>(1)</sup>	2	(6)	(4)
<b>Net current period other comprehensive loss</b>	<b>4</b>	<b>—</b>	<b>4</b>
<b>Ending balance</b>	<b>\$ (21)</b>	<b>\$ 17</b>	<b>\$ (4)</b>

<sup>(1)</sup> These components are included in the computation of net periodic pension and other postretirement benefit costs. (See Note 12 below for additional details.)

## Recently Adopted Accounting Standards

### *Recognition of Lease Assets and Liabilities*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which amended the guidance related to the definition of a lease, the recognition of lease assets and liabilities, and the disclosure of key information about leasing arrangements. Under the new standard, a lease exists when an arrangement allows the lessee to control the use of an identified asset for a stated period in exchange for payments. This determination is made at inception of the arrangement. All leases must be recognized as a ROU asset and a lease liability on the balance sheet of the lessee. The ROU asset reflects the lessee's right to use the underlying asset for the lease term and the lease liability reflects the obligation to make the lease payments. PG&E Corporation and the Utility adopted the ASU for leases on January 1, 2019.

PG&E Corporation and the Utility elected certain practical expedients and will carry forward historical conclusions related to (1) contracts that contain leases, (2) existing lease and easement classification, and (3) initial direct costs. After adoption of the new standard, PG&E Corporation and Utility elected not to separate lease and non-lease components. Additionally, PG&E Corporation and the Utility will not restate comparative reporting periods.

The Utility estimates the ROU assets and lease liabilities at net present value using its incremental secured borrowing rates, unless the implicit discount rate in the leasing arrangement can be ascertained. The incremental secured borrowing rate is based on observed market data and other information available at the lease commencement date. The ROU assets and lease liabilities only include the fixed lease payments for arrangements with terms greater than 12 months. Renewal and termination options only impact the lease term if it is reasonably certain that they will be exercised. PG&E Corporation recognizes lease expense on a straight-line basis over the lease term. The Utility recognizes lease expense in conformity with ratemaking.

Operating leases are included in operating lease ROU assets and current and noncurrent operating lease liabilities on the Consolidated Balance Sheets. Financing leases are included in property, plant, and equipment, other current liabilities, and other noncurrent liabilities on the Consolidated Balance Sheets. Financing leases were immaterial for the year ended December 31, 2019.

On January 1, 2019, PG&E Corporation and the Utility recorded ROU assets and lease liabilities of \$2.8 billion, representing the net present value of only the fixed lease payments. This amount is presented within the supplemental disclosures of noncash activities. For the year ended December 31, 2019, the Utility made total cash payments, including fixed and variable, of \$2.4 billion for operating leases which are presented within operating activities on the Consolidated Statement of Cash Flows. The fixed cash payments for the principal portion of the financing lease liabilities are immaterial and continue to be included within financing activities on the Consolidated Statement of Cash Flows. Any variable lease payments for financing leases are included in operating activities on the Consolidated Statement of Cash Flows.

The majority of the Utility's ROU assets and lease liabilities relate to various power purchase agreements. These power purchase agreements primarily consist of generation plants leased to meet customer demand plus applicable reserve margins. PG&E Corporation and the Utility have also recorded ROU assets and lease liabilities related to property and land arrangements.

At December 31, 2019, the Utility's leases had a weighted average remaining lease term of 5.9 years and a weighted average discount rate of 6.2%.

The following table shows the lease expense recognized for the fixed and variable component of the Utility's lease obligations:

<b>(in millions)</b>	<b>Year Ended December 31, 2019</b>
Operating lease fixed cost	\$ 686
Operating lease variable cost	1,778
<b>Total operating lease costs</b>	<b>\$ 2,464</b>

The following table shows the Utility's future expected operating lease payments:

<b>(in millions)</b>	<b>December 31, 2019</b>
2020	\$ 679
2021	623
2022	548
2023	255
2024	96
Thereafter	596
<b>Total lease payments</b>	<b>2,797</b>
Less imputed interest	(518)
<b>Total</b>	<b>\$ 2,279</b>

The following table shows the Utility's future expected obligations for power purchase and other lease commitments:

<b>(in millions)</b>	<b>December 31, 2018</b>
2019	\$ 684
2020	677
2021	621
2022	546
2023	252
Thereafter	581
<b>Total lease commitments</b>	<b>\$ 3,361</b>

#### ***Fair Value Measurement***

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*, which amends the existing guidance relating to the disclosure requirements for fair value measurements. PG&E Corporation and the Utility early adopted the ASU as of December 31, 2019. The adoption of this ASU did not have a material impact on the Consolidated Financial Statements and related disclosures.

#### **Accounting Standards Issued But Not Yet Adopted**

##### ***Intangibles-Goodwill and Other***

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. This ASU became effective for PG&E Corporation and the Utility on January 1, 2020 and did not have a material impact on the Consolidated Financial Statements and related disclosures.

##### ***Financial Instruments—Credit Losses***

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which provides a model, known as the current expected credit loss model, to estimate the expected lifetime credit loss on financial assets, including trade and other receivables, rather than incurred losses over the remaining life of most financial assets measured at amortized cost. The guidance also requires use of an allowance to record estimated credit losses on available-for-sale debt securities. This ASU became effective for PG&E Corporation and the Utility on January 1, 2020 and did not have a material impact on the Consolidated Financial Statements and related disclosures.

## NOTE 4: REGULATORY ASSETS, LIABILITIES, AND BALANCING ACCOUNTS

### Regulatory Assets

Long-term regulatory assets are comprised of the following:

(in millions)	Balance at December 31,		Recovery Period
	2019	2018	
Pension benefits <sup>(1)</sup>	\$ 1,823	\$ 1,947	Indefinitely
Environmental compliance costs	1,062	1,013	32 years
Utility retained generation <sup>(2)</sup>	228	274	8 years
Price risk management	124	90	10 years
Unamortized loss, net of gain, on reacquired debt	63	76	25 years
Catastrophic event memorandum account <sup>(3)</sup>	656	790	1 - 4 years
Wildfire expense memorandum account <sup>(4)</sup>	423	94	1 - 4 years
Fire hazard prevention memorandum account <sup>(5)</sup>	259	263	1 - 4 years
Fire risk mitigation memorandum account <sup>(6)</sup>	95	—	1 - 4 years
Wildfire mitigation plan memorandum account <sup>(7)</sup>	558	—	1 - 4 years
Deferred income taxes <sup>(8)</sup>	252	—	47 years
Other <sup>(9)</sup>	523	417	Various
<b>Total long-term regulatory assets</b>	<b>\$ 6,066</b>	<b>\$ 4,964</b>	

<sup>(1)</sup> Payments into the pension and other benefits plans are based on annual contribution requirements. As these annual requirements continue indefinitely into the future, the Utility expects to continuously recover pension benefits.

<sup>(2)</sup> In connection with the settlement agreement entered into among PG&E Corporation, the Utility, and the CPUC in 2003 to resolve the Utility's 2001 proceeding under Chapter 11, the CPUC authorized the Utility to recover \$1.2 billion of costs related to the Utility's retained generation assets. The individual components of these regulatory assets are being amortized over the respective lives of the underlying generation facilities, consistent with the period over which the related revenues are recognized.

<sup>(3)</sup> Includes costs of responding to catastrophic events that have been declared a disaster or state of emergency by competent federal or state authorities. Recovery of CEMA costs are subject to CPUC review and approval.

<sup>(4)</sup> Includes specific incremental wildfire-related liability costs the CPUC approved for tracking in June 2018. Recovery of WEMA costs are subject to CPUC review and approval.

<sup>(5)</sup> Includes costs associated with the implementation of regulations and requirements adopted to protect the public from potential fire hazards associated with overhead power line facilities and nearby aerial communication facilities that have not been previously authorized in another proceeding. Recovery of FHPMA costs are subject to CPUC review and approval.

<sup>(6)</sup> Includes costs associated with the 2019 Wildfire Mitigation Plan for the period January 1, 2019 through June 4, 2019. Recovery of FRMMA costs are subject to CPUC review and approval.

<sup>(7)</sup> Includes costs associated with the 2019 Wildfire Mitigation Plan for the period June 5, 2019 through December 31, 2019. Recovery of WMPMA costs are subject to CPUC review and approval.

<sup>(8)</sup> Represents cumulative differences between amounts recognized for ratemaking purposes and expense recognized in accordance with GAAP. (See Note 9 below.)

<sup>(9)</sup> December 31, 2019 balance includes \$178 million of unamortized debt issuance costs and debt discount that was written off to present the debt subject to compromise at the outstanding face value.

In general, regulatory assets represent the cumulative differences between amounts recognized for ratemaking purposes and expense or accumulated other comprehensive income (loss) recognized in accordance with GAAP. Additionally, the Utility does not earn a return on regulatory assets if the related costs do not accrue interest. Accordingly, the Utility earns a return on its regulatory assets for retained generation, and regulatory assets for unamortized loss, net of gain, on reacquired debt.

### Regulatory Liabilities

Long-term regulatory liabilities are comprised of the following:

(in millions)	Balance at December 31,	
	2019	2018
Cost of removal obligations <sup>(1)</sup>	\$ 6,456	\$ 5,981
Deferred income taxes <sup>(2)</sup>	—	283
Recoveries in excess of AROs <sup>(3)</sup>	393	356
Public purpose programs <sup>(4)</sup>	817	674
Retirement plans <sup>(5)</sup>	750	421
Other	854	824
<b>Total long-term regulatory liabilities</b>	<b>\$ 9,270</b>	<b>\$ 8,539</b>

<sup>(1)</sup> Represents the cumulative differences between asset removal costs recorded and amounts collected in rates for expected asset removal costs.

<sup>(2)</sup> Represents the cumulative differences between amounts recognized for ratemaking purposes and expense recognized in accordance with GAAP. (See Note 9 below.)

<sup>(3)</sup> Represents the cumulative differences between ARO expenses and amounts collected in rates. Decommissioning costs related to the Utility's nuclear facilities are recovered through rates and are placed in nuclear decommissioning trusts. This regulatory liability also represents the deferral of realized and unrealized gains and losses on these nuclear decommissioning trust investments. (See Note 11 below.)

<sup>(4)</sup> Represents amounts received from customers designated for public purpose program costs expected to be incurred beyond the next 12 months, primarily related to energy efficiency programs.

<sup>(5)</sup> Represents cumulative differences between incurred costs and amounts collected in rates for Post-Retirement Medical, Post-Retirement Life and Long-Term Disability Plans.

### Regulatory Balancing Accounts

The Utility tracks (1) differences between the Utility's authorized revenue requirement and customer billings, and (2) differences between incurred costs and customer billings. To the extent these differences are probable of recovery or refund over the next 12 months, the Utility records a current regulatory balancing account receivable or payable. Regulatory balancing accounts that the Utility expects to collect or refund over a period exceeding 12 months are recorded as other noncurrent assets – regulatory assets or noncurrent liabilities – regulatory liabilities, respectively, in the Consolidated Balance Sheets. These differences do not have an impact on net income. Balancing accounts will fluctuate during the year based on seasonal electric and gas usage and the timing of when costs are incurred and customer revenues are collected.

Current regulatory balancing accounts receivable and payable are comprised of the following:

(in millions)	Receivable Balance at December 31,	
	2019	2018
Electric distribution	\$ —	\$ 160
Electric transmission	9	128
Utility generation	—	79
Gas distribution and transmission	363	462
Energy procurement	901	168
Public purpose programs	209	111
Other	632	327
<b>Total regulatory balancing accounts receivable</b>	<b>\$ 2,114</b>	<b>\$ 1,435</b>

(in millions)	Payable Balance at December 31,	
	2019	2018
Electric distribution	\$ 31	\$ —
Electric transmission	119	134
Gas distribution and transmission	45	9
Energy procurement	649	59
Public purpose programs	559	587
Other	394	287
<b>Total regulatory balancing accounts payable</b>	<b>\$ 1,797</b>	<b>\$ 1,076</b>

The electric distribution and utility generation accounts track the collection of revenue requirements approved in the GRC. The electric transmission accounts track recovery of costs related to the transmission of electricity approved in the FERC TO rate cases. The gas distribution and transmission accounts track the collection of revenue requirements approved in the GRC and the GT&S rate case. Energy procurement balancing accounts track recovery of costs related to the procurement of electricity, including any environmental compliance-related activities. Public purpose programs balancing accounts are primarily used to record and recover authorized revenue requirements for commission-mandated programs such as energy efficiency.

#### NOTE 5: DEBT

##### Debtor-In-Possession Facilities

In connection with the Chapter 11 Cases, PG&E Corporation and the Utility entered into the DIP Credit Agreement, among the Utility, as borrower, PG&E Corporation, as guarantor, JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A., as collateral agent, and the lenders and issuing banks party thereto (together with such other financial institutions from time to time party thereto, the “DIP Lenders”). The DIP Credit Agreement provides for \$5.5 billion in senior secured superpriority debtor in possession credit facilities in the form of (i) a revolving credit facility in an aggregate amount of \$3.5 billion (the “DIP Revolving Facility”), including a \$1.5 billion letter of credit subfacility, (ii) a term loan facility in an aggregate principal amount of \$1.5 billion (the “DIP Initial Term Loan Facility”) and (iii) a delayed draw term loan facility in an aggregate principal amount of \$500 million (the “DIP Delayed Draw Term Loan Facility,” together with the DIP Revolving Facility and the DIP Initial Term Loan Facility, the “DIP Facilities”), subject to the terms and conditions set forth therein. The DIP Credit Agreement also provides for up to \$4.0 billion of incremental facilities in the form of (i) one or more additional tranches of term loans or (ii) one or more increases in the aggregate amount of revolving commitments under the DIP Revolving Facility (together, the “Incremental Facilities”), subject to the terms and conditions set forth therein. The Incremental Facilities are uncommitted and would require approval from the Bankruptcy Court.

On the Petition Date, PG&E Corporation and the Utility filed a motion seeking, among other things, interim and final approval of the DIP Facilities, which motion was granted on an interim basis by the Bankruptcy Court following a hearing on January 31, 2019. As a result of the Bankruptcy Court’s interim approval of the DIP Facilities and the satisfaction of the other conditions thereof, the DIP Credit Agreement became effective on February 1, 2019 and a portion of the DIP Revolving Facility in the amount of \$1.5 billion (including \$750 million of the letter of credit subfacility) was made available to the Utility. On March 27, 2019, the Bankruptcy Court approved the DIP Facilities on a final basis, authorizing the Utility to borrow up to the remainder of the DIP Revolving Facility (including the remainder of the \$1.5 billion letter of credit subfacility), the DIP Initial Term Loan Facility and the DIP Delayed Draw Term Loan Facility, in each case subject to the terms and conditions of the DIP Credit Agreement.

Borrowings under the DIP Facilities are senior secured obligations of the Utility, secured by substantially all of the Utility’s assets and entitled to superpriority administrative expense claim status in the Utility’s Chapter 11 Case. The Utility’s obligations under the DIP Facilities are guaranteed by PG&E Corporation, and such guarantee is a senior secured obligation of PG&E Corporation, secured by substantially all of PG&E Corporation’s assets and entitled to superpriority administrative expense claim status in PG&E Corporation’s Chapter 11 Case.

The proceeds of the borrowings under the DIP Facilities can be used for working capital and general corporate purposes and to pay fees, costs and expenses incurred in connection with the transactions contemplated by the DIP Credit Agreement and professional and other fees and costs of administration incurred in connection with the Chapter 11 Cases. On February 1, 2019, the Utility borrowed \$350 million under the DIP Revolving Facility. On April 3, 2019, following the Bankruptcy Court's final approval of the DIP Facilities, the Utility borrowed \$1.5 billion under the DIP Initial Term Loan Facility and repaid the \$350 million outstanding under the DIP Revolving Facility. On January 29, 2020, the Utility borrowed \$500 million under the DIP Delayed Draw Term Loan Facility.

The DIP Facilities mature on December 31, 2020 (the "Maturity Date"), subject to the Utility's option to extend the maturity to December 31, 2021 if certain terms and conditions are satisfied, including the payment of an extension fee equal to 0.25% of the then-outstanding loans and available commitments. As of December 31, 2019, the Utility does not intend to extend the Maturity Date. Both the DIP Initial Term Loan Facility and the Delayed Draw Term Loan bear interest at a spread of 225 basis points over LIBOR. Borrowings under the DIP Revolving Facilities will bear interest based, at the Utility's election, on (1) LIBOR plus an applicable margin of 2.25% or (2) ABR plus an applicable margin of 1.25%. ABR will equal the highest of the following: (i) the administrative agent's announced base rate, (ii) 0.50% above the (x) federal funds effective rate or (y) the overnight federal funds rate, whichever is higher, (iii) one-month LIBOR plus 1.00%, and (iv) zero.

The Utility is also required to pay unused fees of 0.375% per annum in respect of the average daily unutilized commitments under the DIP Revolving Facility. The Utility must also pay (x) a fee equal to the applicable margin with respect to LIBOR loans under the DIP Revolving Facility on the aggregate drawable amount of all outstanding letters of credit under the DIP Revolving Facility and (y) a fronting fee to the relevant issuing DIP Lender equal to 0.125% per annum of the aggregate drawable amount of outstanding letters of credit issued by such issuing DIP Lender.

The DIP Credit Agreement includes usual and customary covenants for debtor in possession loan agreements of this type, including covenants limiting PG&E Corporation's and the Utility's ability to, among other things, incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sales of assets and acquisitions, pay dividends and distributions and make payments in respect of junior or pre-petition indebtedness, in each case subject to customary exceptions for debtor in possession loan agreements of this type.

The DIP Credit Agreement also includes customary and usual representations and warranties and affirmative covenants, including an obligation to deliver 13-week cash flow forecasts and reports showing variances from such forecasts, in each case on a rolling 4-week basis. PG&E Corporation's and the Utility's obligations under the DIP Credit Agreement may be accelerated following certain events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to post-petition or unstayed indebtedness of PG&E Corporation and the Utility and their subsidiaries in excess of \$200 million, certain events under ERISA, unstayed judgments in respect of post-petition obligations involving an aggregate liability in excess of \$200 million, change of control, specified governmental actions having a material adverse effect or condemnation or damage to a material portion of the collateral. Certain bankruptcy-related events are also events of default, including, but not limited to, the dismissal by the Bankruptcy Court of any of the Chapter 11 Cases, the conversion of any of the Chapter 11 Cases to a case under Chapter 7 of the Bankruptcy Code, the appointment of a trustee pursuant to Chapter 11, any order authorizing the DIP Facilities being stayed, vacated, reversed or amended in a manner adverse to the DIP Lenders, and certain other events related to the impairment of the DIP Lenders' rights or liens granted under the DIP Credit Agreement.

The commencement of the Chapter 11 Cases constituted an event of default or termination event with respect to, and caused an automatic and immediate acceleration of the debt outstanding under or in respect of, certain instruments and agreements relating to direct financial obligations of PG&E Corporation and the Utility (the "Accelerated Direct Financial Obligations"). However, any efforts to enforce such payment obligations are automatically stayed as of the Petition Date, and are subject to the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The material Accelerated Direct Financial Obligations include the Utility's outstanding senior notes, agreements in respect of certain series of pollution control bonds, and PG&E Corporation's term loan facility, as well as short-term borrowings under PG&E Corporation's and the Utility's revolving credit facilities and the Utility's term loan facility.



## Debtor-in-Possession Financing

The following table summarizes the Utility's outstanding borrowings and availability under the DIP Facilities at December 31, 2019:

(in millions)	Termination Date	Aggregate Limit	Term Loan Borrowings	Revolver Borrowings	Letters of Credit Outstanding	Aggregate Availability
DIP Facilities	December 2020 <sup>(1)</sup>	\$ 5,500	\$ 1,500	\$ —	\$ 663	\$ 3,337

<sup>(1)</sup> May be extended to December 2021, subject to satisfaction of certain terms and conditions, including payment of a 25 basis point extension fee.

On January 29, 2020, the Utility borrowed \$500 million under the DIP Delayed Draw Term Loan Facility.

## Debt

The following table summarizes PG&E Corporation's and the Utility's outstanding debt subject to compromise:

(in millions)	Contractual Interest Rates	December 31,		Treatment under Proposed Plan <sup>(1)</sup>
		2019	2018	
<b>Debt Subject to Compromise <sup>(2)</sup></b>				
<b>PG&amp;E Corporation</b>				
<b>Borrowings under Pre-Petition Credit Facility</b>				
PG&E Corporation Revolving Credit Facilities - Stated Maturity: 2022	variable rate <sup>(3)</sup>	\$ 300	\$ 300	Repaid in cash
<b>Other borrowings</b>				
Term Loan - Stated Maturity: 2020	variable rate <sup>(4)</sup>	350	350	Repaid in cash
<b>Total PG&amp;E Corporation Debt Subject to Compromise</b>		<b>650</b>	<b>650</b>	
<b>Utility</b>				
Senior Notes - Stated Maturity:				
2020	3.50%	800	800	Exchanged for New Utility Short-Term Notes
2021	3.25% to 4.25%	550	550	Exchanged for New Utility Short-Term Notes
2022	2.45%	400	400	Exchanged for New Utility Short-Term Notes
2023	3.25% to 4.25%	1,175	1,175	Reinstated
2024 through 2028	2.95% to 4.65%	3,850	3,850	Reinstated
2034 through 2040	5.40% to 6.35%	5,700	5,700	Exchanged for New Utility Long-Term Notes
2041 through 2042	3.75% to 4.50%	1,000	1,000	Reinstated
2043	4.60%	375	375	Reinstated
2043	5.13%	500	500	Exchanged for New Utility Long-Term Notes
2044 through 2047	3.95% to 4.75%	3,175	3,175	Reinstated
Unamortized discount, net of premium and debt issuance costs		—	(178)	
<b>Total Senior notes, net of premium and debt issuance costs</b>		<b>17,525</b>	<b>17,347</b>	
Pollution Control Bonds - Stated Maturity:				
Series 2008 F and 2010 E, due 2026 <sup>(5)</sup>	1.75%	100	100	Repaid in cash
Series 2009 A-B, due 2026 <sup>(6)</sup>	variable rate <sup>(7)</sup>	149	149	Exchanged for New Utility Funded Debt Exchange Notes
Series 1996 C, E, F, 1997 B due 2026 <sup>(6)</sup>	variable rate <sup>(8)</sup>	614	614	Exchanged for New Utility Funded Debt Exchange Notes
<b>Total pollution control bonds</b>		<b>863</b>	<b>863</b>	
<b>Borrowings under Pre-Petition Credit Facilities</b>				
Utility Revolving Credit Facilities - Stated Maturity: 2022 <sup>(9)</sup>	variable rate <sup>(10)</sup>	2,888	2,965	Exchanged for New Utility Funded Debt Exchange Notes
<b>Other borrowings:</b>				
Term Loan - Stated Maturity: 2019	variable rate <sup>(11)</sup>	250	250	Exchanged for New Utility Funded Debt Exchange Notes
<b>Total Borrowings under Pre-Petition Credit Facility Subject to Compromise</b>		<b>3,138</b>	<b>3,215</b>	
<b>Total Utility Debt Subject to Compromise</b>		<b>21,526</b>	<b>21,425</b>	
<b>Total PG&amp;E Corporation Consolidated Debt Subject to Compromise</b>		<b>\$ 22,176</b>	<b>\$ 22,075</b>	

- <sup>(1)</sup> The treatments of debt under the Proposed Plan, described in this column relate only to the treatment of principal amounts and not pre-petition or post-petition interest. The New Utility Short-Term Notes, New Utility Long-Term Senior Notes and New Utility Funded Debt Exchange Notes are described in more detail under “Restructuring Support Agreement with the Ad Hoc Noteholder Committee” in Note 2.
- <sup>(2)</sup> Debt subject to compromise must be reported at the amounts expected to be allowed by the Bankruptcy Court and the carrying values will be adjusted as claims are approved. Total Debt Subject to Compromise does not include accrued contractual interest of \$1 million and \$286 million for PG&E Corporation and the Utility, respectively, to the Petition Date. Total Debt Subject to Compromise also does not include post-petition interest of \$15 million and \$638 million for PG&E Corporation and the Utility, respectively, in accordance with the terms of the Noteholder RSA. As of December 31, 2019, PG&E Corporation and the Utility wrote off \$178 million of unamortized debt issuance costs and debt discount to present the debt subject to compromise at the outstanding face value. The write-offs are included within long-term regulatory assets in the Consolidated Balance Sheets. See Notes 2 and 4 for further details.
- <sup>(3)</sup> At December 31, 2019, the contractual LIBOR-based interest rate on loans was 3.24%.
- <sup>(4)</sup> At December 31, 2019, the contractual LIBOR-based interest rate on the term loan was 2.96%.
- <sup>(5)</sup> Pollution Control Bonds series 2008F and 2010E were reissued in June 2017. Although the stated maturity date for both series is 2026, these bonds have a mandatory redemption date of May 31, 2022.
- <sup>(6)</sup> Each series of these bonds is supported by a separate direct-pay letter of credit. Following the Utility’s Chapter 11 filing, investors in these bonds drew on the letter of credit facilities. The letter of credit facility supporting the Series 2009 A-B bonds matured on June 5, 2019. In December 2015, the maturity dates of the letter of credit facilities supporting the Series 1996 C, E, F, 1997 B bonds were extended to December 1, 2020. Although the stated maturity date of these bonds is 2026, each series will remain outstanding only if the Utility extends or replaces the letter of credit related to the series or otherwise obtains consent from the issuer to the continuation of the series without a credit facility.
- <sup>(7)</sup> At December 31, 2019, the contractual interest rate on the letter of credit facilities supporting these bonds was 7.95%.
- <sup>(8)</sup> At December 31, 2019, the contractual interest rate on the letter of credit facilities supporting these bonds ranged from 7.95% to 8.08%.
- <sup>(9)</sup> At December 31, 2019, excludes \$22 million of undrawn letters of credit.
- <sup>(10)</sup> At December 31, 2019, the contractual LIBOR-based interest rate on the loans was 3.04%.
- <sup>(11)</sup> At December 31, 2019, the contractual LIBOR-based interest rate on the term loan was 2.36%.

### ***Pollution Control Bonds Subject to Compromise***

The California Pollution Control Financing Authority and the California Infrastructure and Economic Development Bank have issued various series of fixed rate and multi-modal tax-exempt pollution control bonds for the benefit of the Utility. Substantially all of the net proceeds of the pollution control bonds were used to finance or refinance pollution control and sewage and solid waste disposal facilities at the Geysers geothermal power plant or at the Utility’s Diablo Canyon nuclear power plant. In 1999, the Utility sold all bond-financed facilities at the non-retired units of the Geysers geothermal power plant to Geysers Power Company, LLC pursuant to purchase and sales agreements stating that Geysers Power Company, LLC will use the bond-financed facilities solely as pollution control facilities for so long as any tax-exempt pollution control bonds issued to finance the Geysers project are outstanding. Except for components that may have been abandoned in place or disposed of as scrap or that are permanently non-operational, the Utility has no knowledge that Geysers Power Company, LLC intends to cease using the bond-financed facilities solely as pollution control facilities.

### ***Revolving Credit Facilities Subject to Compromise***

PG&E Corporation's and the Utility's revolving credit facilities have been subject to an automatic and immediate acceleration as a result of the Chapter 11 Cases. Prior to the Chapter 11 Cases, proceeds from the revolving credit facilities were used for working capital, the repayment of commercial paper, and other corporate purposes.

### **Contractual Repayment Schedule**

PG&E Corporation and the Utility have entered into the Noteholder RSA with Consenting Noteholders which provides for, among other things, (i) the refinancing of the Utility’s senior unsecured debt in satisfaction of all claims arising out of the Utility Short-Term Senior Notes, the Utility Long-Term Senior Notes and the Utility Funded Debt, and (ii) the reinstatement of the Utility Reinstated Senior Notes, in each case pursuant to the Proposed Plan and upon the terms and conditions set forth in the Noteholder RSA. See “Restructuring Support Agreement with the Ad Hoc Noteholder Committee” in Note 2 for further information on the Noteholder RSA.

PG&E Corporation's and the Utility's existing long-term debt is in default, and the Accelerated Direct Financial Obligations became immediately due and payable upon the commencement of the Chapter 11 Cases. PG&E Corporation's and the Utility's combined stated long-term debt principal repayment amounts at December 31, 2019 are reflected in the table below:

(in millions, except interest rates)	2020	2021	2022	2023	2024	Thereafter	Total
<b>PG&amp;E Corporation</b>							
Variable interest rate as of December 31, 2019	2.96 %	— %	3.24 %	— %	— %	— %	2.96 %
Variable rate obligations	\$ 350	\$ —	\$ 300	\$ —	\$ —	\$ —	\$ 650
<b>Utility</b>							
Average fixed interest rate	3.50 %	3.80 %	2.31 %	3.83 %	3.60 %	4.80 %	4.52 %
Fixed rate obligations	\$ 800	\$ 550	\$ 500	\$ 1,175	\$ 800	\$ 13,800	\$ 17,625
Variable interest rate as of December 31, 2019	various <sup>(1)</sup>	— %	3.04 %	— %	— %	— %	8.00 %
Variable rate obligations	\$ 1,013	\$ —	\$ 2,888	\$ —	\$ —	\$ —	\$ 3,901
<b>Total consolidated debt</b>	<b>\$ 2,163</b>	<b>\$ 550</b>	<b>\$ 3,688</b>	<b>\$ 1,175</b>	<b>\$ 800</b>	<b>\$ 13,800</b>	<b>\$ 22,176</b>

<sup>(1)</sup> At December 31, 2019, the average interest rates for the pollution control bonds and the term loan were 8.00% and 2.36%, respectively.

### Commercial Paper Programs

As of December 31, 2019, PG&E Corporation and the Utility terminated their respective programs commercial paper programs and had no commercial paper borrowings outstanding.

### NOTE 6: COMMON STOCK AND SHARE-BASED COMPENSATION

PG&E Corporation had 529,236,741 shares of common stock outstanding at December 31, 2019. PG&E Corporation held all of the Utility's outstanding common stock at December 31, 2019.

There were no issuances under the PG&E Corporation February 2017 equity distribution agreement for the year ended December 31, 2019. The remaining gross sales available under this agreement were \$246 million.

PG&E Corporation issued 8.9 million shares of common stock under the PG&E Corporation 401(k) plan and share-based compensation plans, for cash proceeds of \$85 million, during the year ended December 31, 2019. Beginning January 1, 2019 PG&E Corporation changed its default matching contributions under its 401(k) plan from PG&E Corporation common stock to cash. Beginning in March 2019, at PG&E Corporation's directive, the 401(k) plan trustee began purchasing new shares in the PG&E Corporation common stock fund on the open market rather than directly from PG&E Corporation.

### Dividends

On December 20, 2017, the Boards of Directors of PG&E Corporation and the Utility suspended quarterly cash dividends on both PG&E Corporation's and the Utility's common stock, beginning the fourth quarter of 2017, as well as the Utility's preferred stock, beginning the three-month period ending January 31, 2018, due to the uncertainty related to the causes of and potential liabilities associated with wildfires. See Wildfire-related contingencies in Note 14 below.

Under the Utility's Articles of Incorporation, the Utility cannot pay common stock dividends unless all cumulative preferred dividends on the Utility's preferred stock have been paid. Under their respective pre-petition credit agreements, PG&E Corporation and the Utility were each required to maintain a ratio of consolidated total debt to consolidated capitalization of at most 65%. As of the Petition Date, these obligations were automatically stayed and are subject to the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The DIP Facilities have no such restriction. Additionally, the Utility's net assets, and therefore its ability to pay dividends, are restricted by the CPUC-authorized capital structure, which requires the Utility to maintain, on average, at least 52% equity. Due to the net charges recorded in connection with the 2018 Camp fire and the 2017 Northern California wildfires as of December 31, 2018, the Utility submitted to the CPUC an application for a waiver of the capital structure condition on February 28, 2019. The waiver is subject to CPUC approval. The Utility is not considered to be in violation of these conditions during the period the waiver application is pending resolution. Beginning in 2020, the Utility expects to resume payment of preferred dividends on the Utility's preferred stock, subject to the Utility's Board of Directors' approval. PG&E Corporation does not expect to pay any cash for common stock dividends for at least the next two years, subject to PG&E Corporation's Board of Directors' approval.

## Long-Term Incentive Plan

The PG&E Corporation LTIP permits various forms of share-based incentive awards, including stock options, restricted stock units, performance shares, and other share-based awards, to eligible employees of PG&E Corporation and its subsidiaries. Non-employee directors of PG&E Corporation are also eligible to receive certain share-based awards. A maximum of 17 million shares of PG&E Corporation common stock (subject to certain adjustments) has been reserved for issuance under the 2014 LTIP, of which 12,338,419 shares were available for future awards at December 31, 2019.

The following table provides a summary of total share-based compensation expense recognized by PG&E Corporation for share-based incentive awards for 2019:

(in millions)	2019	2018	2017
Stock Options	\$ 7	\$ 10	\$ —
Restricted stock units	21	43	40
Performance shares	22	36	45
Total compensation expense (pre-tax)	\$ 50	\$ 89	\$ 85
Total compensation expense (after-tax)	\$ 35	\$ 63	\$ 50

Share-based compensation costs are generally not capitalized. There was no material difference between PG&E Corporation and the Utility for the information disclosed above.

### Stock Options

The exercise price of stock options granted under the 2014 LTIP and all other outstanding stock options is equal to the market price of PG&E Corporation's common stock on the date of grant. Stock options generally have a 10-year term and vest over three years of continuous service, subject to accelerated vesting in certain circumstances. As of December 31, 2019, \$10.5 million of total unrecognized compensation costs related to nonvested stock options were expected to be recognized over a weighted average period of 1.73 years for PG&E Corporation.

The fair value of each stock option on the date of grant is estimated using the Black-Scholes valuation method. The weighted average grant date fair value of options granted using the Black-Scholes valuation method in 2019 and 2018 was \$3.87 and \$10.24 per share, respectively. The significant assumptions used for shares granted in 2019 were:

	2019	2018
Expected stock price volatility	57.00 %	23.00 %
Expected annual dividend payment	— %	3.10 %
Risk-free interest rate	1.51% to 1.52%	2.58 %
Expected life (years)	4.5	6

Expected volatilities are based on historical volatility of PG&E Corporation's common stock. The expected dividend payment is the dividend yield at the date of grant. The risk-free interest rate for periods within the contractual term of the stock option is based on the U.S. Treasury rates in effect at the date of grant. The expected life of stock options is derived from historical data that estimates stock option exercises and employee departure behavior.

There was no tax benefit recognized from stock options for the year ended December 31, 2019.

The following table summarizes stock option activity for PG&E Corporation and the Utility for 2019:

	Number of Stock Option	Weighted Average Grant- Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1	1,522,137	\$ 10.24		\$ —
Granted	2,866,667	3.87		—
Exercised	—	—		—
Forfeited or expired	(107,401)	10.24		—
Outstanding at December 31	4,281,403	5.98	5.40 years	—
Vested or expected to vest at December 31	4,225,180	5.92	5.36 years	—
Exercisable at December 31	1,433,234	\$ 5.99	5.41 years	\$ —

### *Restricted Stock Units*

Restricted stock units granted after 2014 generally vest equally over three years. Vested restricted stock units are settled in shares of PG&E Corporation common stock accompanied by cash payments to settle any dividend equivalents associated with the vested restricted stock units. Compensation expense is generally recognized ratably over the vesting period based on grant-date fair value. The weighted average grant-date fair value for restricted stock units granted during 2019, 2018, and 2017 was \$18.57, \$40.92, and \$66.95, respectively. The total fair value of restricted stock units that vested during 2019, 2018, and 2017 was \$42 million, \$41 million, and \$57 million, respectively. The tax benefit from restricted stock units that vested during each period was not material. In general, forfeitures are recorded ratably over the vesting period, using historical averages and adjusted to actuals when vesting occurs. As of December 31, 2019, \$19 million of total unrecognized compensation costs related to nonvested restricted stock units was expected to be recognized over the remaining weighted average period of 1.14 years.

The following table summarizes restricted stock unit activity for 2019:

	Number of Restricted Stock Units	Weighted Average Grant- Date Fair Value
Nonvested at January 1	1,979,812	\$ 47.66
Granted	74,479	18.57
Vested	(822,249)	51.01
Forfeited	(191,207)	41.49
Nonvested at December 31	1,040,835	\$ 44.06

### *Performance Shares*

Performance shares generally will vest three years after the grant date. Upon vesting, performance shares are settled in shares of common stock based on either PG&E Corporation's total shareholder return relative to a specified group of industry peer companies over a three-year performance period or, for a small number of awards, an internal PG&E Corporation metric. Dividend equivalents are paid in cash based on the amount of common stock to which the recipients are entitled.

Compensation expense attributable to performance shares is generally recognized ratably over the applicable three-year period based on the grant-date fair value determined using a Monte Carlo simulation valuation model for the total shareholder return based awards or the grant-date market value of PG&E Corporation common stock for internal metric based awards. The weighted average grant-date fair value for performance shares granted during 2019, 2018, and 2017 was \$15.39, \$36.92, and \$77.00 respectively. There was no tax benefit associated with performance shares during each of these periods. In general, forfeitures are recorded ratably over the vesting period, using historical averages and adjusted to actuals when vesting occurs. As of December 31, 2019, \$11 million of total unrecognized compensation costs related to nonvested performance shares was expected to be recognized over the remaining weighted average period of 1.17 years.

The following table summarizes activity for performance shares in 2019:

	Number of Performance Shares	Weighted Average Grant- Date Fair Value
Nonvested at January 1	1,438,091	\$ 56.32
Granted	130,251	15.39
Vested	(255,324)	40.74
Forfeited <sup>(1)</sup>	(624,595)	75.54
Nonvested at December 31	<b>688,423</b>	\$ 36.92

<sup>(1)</sup> Includes performance shares that expired with zero value as performance targets were not met.

#### NOTE 7: PREFERRED STOCK

PG&E Corporation has authorized 80 million shares of no par value preferred stock and 5 million shares of \$100 par value preferred stock, which may be issued as redeemable or nonredeemable preferred stock. PG&E Corporation does not have any preferred stock outstanding.

The Utility has authorized 75 million shares of \$25 par value preferred stock and 10 million shares of \$100 par value preferred stock. At December 31, 2019 and December 31, 2018, the Utility's preferred stock outstanding included \$145 million of shares with interest rates between 5% and 6% designated as nonredeemable preferred stock and \$113 million of shares with interest rates between 4.36% and 5% that are redeemable between \$25.75 and \$27.25 per share. The Utility's preferred stock outstanding are not subject to mandatory redemption. All outstanding preferred stock has a \$25 par value.

At December 31, 2019, annual dividends on the Utility's nonredeemable preferred stock ranged from \$1.25 to \$1.50 per share. The Utility's redeemable preferred stock is subject to redemption at the Utility's option, in whole or in part, if the Utility pays the specified redemption price plus accumulated and unpaid dividends through the redemption date. At December 31, 2019, annual dividends on redeemable preferred stock ranged from \$1.09 to \$1.25 per share.

Dividends on all Utility preferred stock are cumulative. All shares of preferred stock have voting rights and an equal preference in dividend and liquidation rights. Upon liquidation or dissolution of the Utility, holders of preferred stock would be entitled to the par value of such shares plus all accumulated and unpaid dividends, as specified for the class and series. The Utility paid no dividends on preferred stock in 2019, 2018, and \$14 million of dividends on preferred stock in 2017 (See "Dividends" in Note 6, above).

#### NOTE 8: EARNINGS PER SHARE

PG&E Corporation's basic EPS is calculated by dividing the income (loss) available for common shareholders by the weighted average number of common shares outstanding. PG&E Corporation applies the treasury stock method of reflecting the dilutive effect of outstanding share-based compensation in the calculation of diluted EPS. The following is a reconciliation of PG&E Corporation's income (loss) available for common shareholders and weighted average common shares outstanding for calculating diluted EPS for 2019, 2018, and 2017.

(in millions, except per share amounts)	Year Ended December 31,		
	2019	2018	2017
<b>Income (loss) available for common shareholders</b>	\$ (7,656)	\$ (6,851)	\$ 1,646
<b>Weighted average common shares outstanding, basic</b>	528	517	512
Add incremental shares from assumed conversions:			
Employee share-based compensation	—	—	1
<b>Weighted average common share outstanding, diluted</b>	528	517	513
<b>Total earnings (loss) per common share, diluted</b>	<b>\$ (14.50)</b>	<b>\$ (13.25)</b>	<b>\$ 3.21</b>

For each of the periods presented above, the calculation of outstanding common shares on a diluted basis excluded an insignificant amount of options and securities that were antidilutive.

**NOTE 9: INCOME TAXES**

PG&E Corporation and the Utility use the asset and liability method of accounting for income taxes. The income tax provision includes current and deferred income taxes resulting from operations during the year. PG&E Corporation and the Utility estimate current period tax expense in addition to calculating deferred tax assets and liabilities. Deferred tax assets and liabilities result from temporary tax and accounting timing differences, such as those arising from depreciation expense.

PG&E Corporation and the Utility recognize a tax benefit if it is more likely than not that a tax position taken or expected to be taken in a tax return will be sustained upon examination by taxing authorities based on the merits of the position. The tax benefit recognized in the financial statements is measured based on the largest amount of benefit that is greater than 50% likely of being realized upon settlement. As such, the difference between a tax position taken or expected to be taken in a tax return in future periods and the benefit recognized and measured pursuant to this guidance in the financial statements represents an unrecognized tax benefit.

Investment tax credits are deferred and amortized to income over time. PG&E Corporation amortizes its investment tax credits over the projected investment recovery period. The Utility amortizes its investment tax credits over the life of the related property in accordance with regulatory treatment.

PG&E Corporation files a consolidated U.S. federal income tax return that includes the Utility and domestic subsidiaries in which its ownership is 80% or more. PG&E Corporation files a combined state income tax return in California. PG&E Corporation and the Utility are parties to a tax-sharing agreement under which the Utility determines its income tax provision (benefit) on a stand-alone basis.

The significant components of income tax provision (benefit) by taxing jurisdiction were as follows:

(in millions)	PG&E Corporation			Utility		
	Year Ended December 31,					
	2019	2018	2017	2019	2018	2017
<b>Current:</b>						
Federal	\$ 1	\$ (5)	\$ (10)	\$ 4	\$ 5	\$ 61
State	101	(8)	48	94	(7)	50
<b>Deferred:</b>						
Federal	(2,361)	(2,264)	481	(2,363)	(2,278)	326
State	(1,136)	(1,009)	6	(1,137)	(1,009)	4
Tax credits	(5)	(6)	(14)	(5)	(6)	(14)
<b>Income tax provision (benefit)</b>	<b>\$ (3,400)</b>	<b>\$ (3,292)</b>	<b>\$ 511</b>	<b>\$ (3,407)</b>	<b>\$ (3,295)</b>	<b>\$ 427</b>



The following tables describe net deferred income tax assets and liabilities:

(in millions)	PG&E Corporation		Utility	
	Year Ended December 31,			
	2019	2018	2019	2018
<b>Deferred income tax assets:</b>				
Tax carryforwards	\$ 1,390	\$ 740	\$ 1,308	\$ 650
Compensation	151	173	92	121
Income tax regulatory liability <sup>(1)</sup>	—	79	—	79
Wildfire-related claims <sup>(2)</sup>	6,520	3,433	6,520	3,433
Operating lease liability	642	—	640	—
Other <sup>(3)</sup>	112	87	121	93
<b>Total deferred income tax assets</b>	<b>\$ 8,815</b>	<b>\$ 4,512</b>	<b>\$ 8,681</b>	<b>\$ 4,376</b>
<b>Deferred income tax liabilities:</b>				
Property related basis differences	7,984	7,672	7,973	7,660
Regulatory balancing accounts	381	118	381	118
Operating lease right of use asset	642	—	640	—
Income tax regulatory asset <sup>(1)</sup>	71	—	71	—
Other <sup>(4)</sup>	57	3	58	3
<b>Total deferred income tax liabilities</b>	<b>\$ 9,135</b>	<b>\$ 7,793</b>	<b>\$ 9,123</b>	<b>\$ 7,781</b>
<b>Total net deferred income tax liabilities</b>	<b>\$ 320</b>	<b>\$ 3,281</b>	<b>\$ 442</b>	<b>\$ 3,405</b>

<sup>(1)</sup> Represents the tax gross up portion of the deferred income tax for the cumulative differences between amounts recognized for ratemaking purposes and amounts recognized for tax, including the impact of changes in net deferred taxes associated with a lower federal income tax rate as a result of the Tax Act. (For more information see Note 3 above).

<sup>(2)</sup> Amounts primarily relate to wildfire-related claims, net of estimated insurance recoveries, and legal and other costs related to the 2018 Camp fire, 2017 Northern California wildfires, and the 2015 Butte fire.

<sup>(3)</sup> Amounts include benefits, environmental reserve, and customer advances for construction.

<sup>(4)</sup> Amount primarily includes an environmental reserve.

The following table reconciles income tax expense at the federal statutory rate to the income tax provision:

	PG&E Corporation			Utility		
	Year Ended December 31,					
	2019	2018	2017	2019	2018	2017
Federal statutory income tax rate	21.0 %	21.0 %	35.0 %	21.0 %	21.0 %	35.0 %
Increase (decrease) in income tax rate resulting from:						
State income tax (net of federal benefit) <sup>(1)</sup>	7.5	7.9	1.5	7.5	7.9	1.6
Effect of regulatory treatment of fixed asset differences <sup>(2)</sup>	2.8	3.6	(16.5)	2.8	3.6	(16.8)
Tax credits	0.1	0.1	(1.1)	0.1	0.1	(1.1)
Compensation related <sup>(3)</sup>	—	(0.2)	(1.0)	—	(0.1)	(0.9)
Tax Reform adjustment <sup>(4)</sup>	—	0.1	6.8	—	0.1	3.0
Other, net <sup>(5)</sup>	(0.6)	—	(1.1)	(0.5)	—	(0.7)
<b>Effective tax rate</b>	<b>30.8 %</b>	<b>32.5 %</b>	<b>23.6 %</b>	<b>30.9 %</b>	<b>32.6 %</b>	<b>20.1 %</b>

<sup>(1)</sup> Includes the effect of state flow-through ratemaking treatment.

<sup>(2)</sup> Includes the effect of federal flow-through ratemaking treatment for certain property-related costs. For these temporary tax differences, PG&E Corporation and the Utility recognize the deferred tax impact in the current period and record offsetting regulatory assets and liabilities. Therefore, PG&E Corporation's and the Utility's effective tax rates are impacted as these differences arise and reverse. PG&E Corporation and the Utility recognize such differences as regulatory assets or liabilities as it is probable that these amounts will be recovered from or returned to customers in future rates. In 2019 and 2018, the amounts also reflect the impact of the amortization of excess deferred tax benefits to be refunded to customers as a result of the Tax Act passed in December 2017.

<sup>(3)</sup> Primarily represents adjustments to compensation as a result of the enactment of the Tax Act.

<sup>(4)</sup> Represents adjustments to deferred tax balances under Staff Accounting Bulletin No. 118 reflecting the tax rate reduction required by the Tax Act.

<sup>(5)</sup> These amounts primarily represent the impact of non-tax deductible bankruptcy costs in 2019 and tax audit settlements in 2017.

### Unrecognized tax benefits

The following table reconciles the changes in unrecognized tax benefits:

(in millions)	PG&E Corporation			Utility		
	2019	2018	2017	2019	2018	2017
<b>Balance at beginning of year</b>	\$ 377	\$ 349	\$ 388	\$ 377	\$ 349	\$ 382
Reductions for tax position taken during a prior year	(1)	(27)	(71)	(1)	(27)	(71)
Additions for tax position taken during the current year	44	55	48	44	55	48
Settlements	—	—	(14)	—	—	(8)
Expiration of statute	—	—	(3)	—	—	(3)
<b>Balance at end of year</b>	<b>\$ 420</b>	<b>\$ 377</b>	<b>\$ 349</b>	<b>\$ 420</b>	<b>\$ 377</b>	<b>\$ 349</b>

The component of unrecognized tax benefits that, if recognized, would affect the effective tax rate at December 31, 2019 for PG&E Corporation and the Utility was \$6 million.

PG&E Corporation's and the Utility's unrecognized tax benefits are not likely to change significantly within the next 12 months. As of December 31, 2019, it is reasonably possible that unrecognized tax benefits will decrease by approximately \$10 million within the next 12 months.

Interest income, interest expense and penalties associated with income taxes are reflected in income tax expense on the Consolidated Statements of Income. For the years ended December 31, 2019, 2018, and 2017, these amounts were immaterial.

### Tax Cuts and Jobs Act of 2017

On December 22, 2017, the U.S. government enacted expansive tax legislation commonly referred to as the Tax Act. Among other provisions, the Tax Act reduces the federal income tax rate from 35% to 21% beginning on January 1, 2018 and eliminated bonus depreciation for utilities. The Treasury is still issuing interpretive guidance on various aspects of the Tax Act. If future guidance requires a change in the recorded tax amounts, any necessary change will be reflected in the period such guidance is issued.

### Tax settlements

PG&E Corporation's tax returns have been accepted through 2015 for federal income tax purposes, except for a few matters, the most significant of which relate to deductible repair costs for gas transmission and distribution lines of business and tax deductions claimed for regulatory fines and fees assessed as part of the Penalty Decision issued in 2015 for the San Bruno natural gas explosion in September of 2010.

Tax years after 2007 remain subject to examination by the state of California.

### Carryforwards

The following table describes PG&E Corporation's operating loss and tax credit carryforward balances:

(in millions)	December 31, 2019	Expiration Year
<b>Federal:</b>		
Net operating loss carryforward - Pre-2018	\$ 3,940	2031 - 2036
Net operating loss carryforward - Post-2017	1,777	N/A
Tax credit carryforward	127	2029 - 2039
<b>State:</b>		
Net operating loss carryforward	\$ 1,927	N/A
Tax credit carryforward	96	Various

On the Petition Date, PG&E Corporation and the Utility filed voluntary petitions for relief under Chapter 11 in the Bankruptcy Court. PG&E Corporation does not believe that the Chapter 11 Cases resulted in loss of or limitation on the utilization of any of the tax carryforwards. PG&E Corporation will continue to monitor the status of tax carryforwards during the pendency of the Chapter 11 Cases.

## NOTE 10: DERIVATIVES

### Use of Derivative Instruments

The Utility is exposed to commodity price risk as a result of its electricity and natural gas procurement activities. Procurement costs are recovered through customer rates. The Utility uses both derivative and non-derivative contracts to manage volatility in customer rates due to fluctuating commodity prices. Derivatives include contracts, such as power purchase agreements, forwards, futures, swaps, options, and CRRs that are traded either on an exchange or over-the-counter. By order dated April 8, 2019, the Bankruptcy Court authorized the Utility to continue these programs in the ordinary course of business in a manner consistent with its pre-petition practices.

Derivatives are presented in the Utility's Consolidated Balance Sheets recorded at fair value and on a net basis in accordance with master netting arrangements for each counter-party. The fair value of derivative instruments is further offset by cash collateral paid or received where the right of offset and the intention to offset exist.

Price risk management activities that meet the definition of derivatives are recorded at fair value on the Consolidated Balance Sheets. These instruments are not held for speculative purposes and are subject to certain regulatory requirements. The Utility expects to fully recover in rates all costs related to derivatives under the applicable ratemaking mechanism in place as long as the Utility's price risk management activities are carried out in accordance with CPUC directives. Therefore, all unrealized gains and losses associated with the change in fair value of these derivatives are deferred and recorded within the Utility's regulatory assets and liabilities on the Consolidated Balance Sheets. Net realized gains or losses on commodity derivatives are recorded in the cost of electricity or the cost of natural gas with corresponding increases or decreases to regulatory balancing accounts for recovery from or refund to customers.

The Utility elects the normal purchase and sale exception for eligible derivatives. Eligible derivatives are those that require physical delivery in quantities that are expected to be used by the Utility over a reasonable period in the normal course of business, and do not contain pricing provisions unrelated to the commodity delivered. These items are not reflected in the Consolidated Balance Sheets at fair value.

### Volume of Derivative Activity

The volumes of the Utility's outstanding derivatives were as follows:

Underlying Product	Instruments	Contract Volume	
		At December 31,	
		2019	2018
Natural Gas <sup>(1)</sup> (MMBtus <sup>(2)</sup> )	Forwards and Swaps	131,896,159	177,750,349
	Options	14,720,000	13,735,405
Electricity (Megawatt-hours)	Forwards and Swaps	18,675,852	3,833,490
	Congestion Revenue Rights <sup>(3)</sup>	308,467,999	340,783,089

<sup>(1)</sup> Amounts shown are for the combined positions of the electric fuels and core gas supply portfolios.

<sup>(2)</sup> Million British Thermal Units.

<sup>(3)</sup> CRRs are financial instruments that enable the holders to manage variability in electric energy congestion charges due to transmission grid limitations.

## Presentation of Derivative Instruments in the Financial Statements

At December 31, 2019, the Utility's outstanding derivative balances were as follows:

(in millions)	Commodity Risk			
	Gross Derivative Balance	Netting	Cash Collateral	Total Derivative Balance
Current assets – other	\$ 36	\$ (6)	\$ 4	\$ 34
Other noncurrent assets – other	130	(6)	—	124
Current liabilities – other	(31)	6	2	(23)
Noncurrent liabilities – other	(130)	6	—	(124)
<b>Total commodity risk</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 6</b>	<b>\$ 11</b>

At December 31, 2018, the Utility's outstanding derivative balances were as follows:

(in millions)	Commodity Risk			
	Gross Derivative Balance	Netting	Cash Collateral	Total Derivative Balance
Current assets – other	\$ 44	\$ (1)	\$ 89	\$ 132
Other noncurrent assets – other	165	—	—	165
Current liabilities – other	(29)	1	7	(21)
Noncurrent liabilities – other	(90)	—	2	(88)
<b>Total commodity risk</b>	<b>\$ 90</b>	<b>\$ —</b>	<b>\$ 98</b>	<b>\$ 188</b>

Cash inflows and outflows associated with derivatives are included in operating cash flows on the Utility's Consolidated Statements of Cash Flows.

The majority of the Utility's derivatives instruments, including power purchase agreements, contain collateral posting provisions tied to the Utility's credit rating from each of the major credit rating agencies, also known as a credit-risk-related contingent feature. During the first quarter of 2019, multiple credit rating agencies downgraded the Utility's credit ratings below investment grade, which resulted in the Utility posting additional collateral. As of December 31, 2019, the Utility satisfied or has otherwise addressed its obligations related to the credit-risk related contingency features.

### NOTE 11: FAIR VALUE MEASUREMENTS

PG&E Corporation and the Utility measure their cash equivalents, trust assets and price risk management instruments at fair value. A three-tier fair value hierarchy is established that prioritizes the inputs to valuation methodologies used to measure fair value:

- **Level 1** – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2** – Other inputs that are directly or indirectly observable in the marketplace.
- **Level 3** – Unobservable inputs which are supported by little or no market activities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets and liabilities measured at fair value on a recurring basis for PG&E Corporation and the Utility are summarized below. Assets held in rabbi trusts are held by PG&E Corporation and not the Utility.

(in millions)	Fair Value Measurements				
	At December 31, 2019				
	Level 1	Level 2	Level 3	Netting <sup>(1)</sup>	Total
<b>Assets:</b>					
Short-term investments	\$ 1,323	\$ —	\$ —	\$ —	\$ 1,323
Nuclear decommissioning trusts					
Short-term investments	6	—	—	—	6
Global equity securities	2,086	—	—	—	2,086
Fixed-income securities	862	728	—	—	1,590
Assets measured at NAV	—	—	—	—	21
<b>Total nuclear decommissioning trusts <sup>(2)</sup></b>	<b>2,954</b>	<b>728</b>	<b>—</b>	<b>—</b>	<b>3,703</b>
Price risk management instruments (Note 10)					
Electricity	—	2	161	(11)	152
Gas	—	3	—	3	6
<b>Total price risk management instruments</b>	<b>—</b>	<b>5</b>	<b>161</b>	<b>(8)</b>	<b>158</b>
Rabbi trusts					
Fixed-income securities	—	100	—	—	100
Life insurance contracts	—	73	—	—	73
<b>Total rabbi trusts</b>	<b>—</b>	<b>173</b>	<b>—</b>	<b>—</b>	<b>173</b>
Long-term disability trust					
Short-term investments	10	—	—	—	10
Assets measured at NAV	—	—	—	—	156
<b>Total long-term disability trust</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>166</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,287</b>	<b>\$ 906</b>	<b>\$ 161</b>	<b>\$ (8)</b>	<b>\$ 5,523</b>
<b>Liabilities:</b>					
Price risk management instruments (Note 10)					
Electricity	\$ 1	\$ 2	\$ 156	\$ (13)	\$ 146
Gas	—	2	—	(1)	1
<b>TOTAL LIABILITIES</b>	<b>\$ 1</b>	<b>\$ 4</b>	<b>\$ 156</b>	<b>\$ (14)</b>	<b>\$ 147</b>

<sup>(1)</sup> Includes the effect of the contractual ability to settle contracts under master netting agreements and margin cash collateral.

<sup>(2)</sup> Represents amount before deducting \$530 million, primarily related to deferred taxes on appreciation of investment value.

(in millions)	Fair Value Measurements				
	At December 31, 2018				
	Level 1	Level 2	Level 3	Netting <sup>(1)</sup>	Total
<b>Assets:</b>					
Short-term investments	\$ 1,593	\$ —	\$ —	\$ —	\$ 1,593
Nuclear decommissioning trusts					
Short-term investments	29	—	—	—	29
Global equity securities	1,793	—	—	—	1,793
Fixed-income securities	661	639	—	—	1,300
Assets measured at NAV	—	—	—	—	16
<b>Total nuclear decommissioning trusts <sup>(2)</sup></b>	<b>2,483</b>	<b>639</b>	<b>—</b>	<b>—</b>	<b>3,138</b>
Price risk management instruments (Note 10)					
Electricity	—	5	203	51	259
Gas	—	1	—	37	38
<b>Total price risk management instruments</b>	<b>—</b>	<b>6</b>	<b>203</b>	<b>88</b>	<b>297</b>
Rabbi trusts					
Fixed-income securities	—	93	—	—	93
Life insurance contracts	—	67	—	—	67
<b>Total rabbi trusts</b>	<b>—</b>	<b>160</b>	<b>—</b>	<b>—</b>	<b>160</b>
Long-term disability trust					
Short-term investments	7	—	—	—	7
Assets measured at NAV	—	—	—	—	155
<b>Total long-term disability trust</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>162</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,083</b>	<b>\$ 805</b>	<b>\$ 203</b>	<b>\$ 88</b>	<b>\$ 5,350</b>
<b>Liabilities:</b>					
Price risk management instruments (Note 10)					
Electricity	4	5	108	(10)	107
Gas	—	2	—	—	2
<b>TOTAL LIABILITIES</b>	<b>\$ 4</b>	<b>\$ 7</b>	<b>\$ 108</b>	<b>\$ (10)</b>	<b>\$ 109</b>

<sup>(1)</sup> Includes the effect of the contractual ability to settle contracts under master netting agreements and margin cash collateral.

<sup>(2)</sup> Represents amount before deducting \$408 million, primarily related to deferred taxes on appreciation of investment value.

### Valuation Techniques

The following describes the valuation techniques used to measure the fair value of the assets and liabilities shown in the tables above. There are no restrictions on the terms and conditions upon which the investments may be redeemed. There were no material transfers between any levels for the years ended December 31, 2019 and 2018.

#### Trust Assets

##### Assets Measured at Fair Value

In general, investments held in the trusts are exposed to various risks, such as interest rate, credit, and market volatility risks. Nuclear decommissioning trust assets and other trust assets are composed primarily of equity and fixed-income securities and also include short-term investments that are money market funds valued at Level 1.

Global equity securities primarily include investments in common stock that are valued based on quoted prices in active markets and are classified as Level 1.

Fixed-income securities are primarily composed of U.S. government and agency securities, municipal securities, and other fixed-income securities, including corporate debt securities. U.S. government and agency securities primarily consist of U.S. Treasury securities that are classified as Level 1 because the fair value is determined by observable market prices in active markets. A market approach is generally used to estimate the fair value of fixed-income securities classified as Level 2 using evaluated pricing data such as broker quotes, for similar securities adjusted for observable differences. Significant inputs used in the valuation model generally include benchmark yield curves and issuer spreads. The external credit ratings, coupon rate, and maturity of each security are considered in the valuation model, as applicable.

#### *Assets Measured at NAV Using Practical Expedient*

Investments in the nuclear decommissioning trusts and the long-term disability trust that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy tables above. The fair value amounts are included in the tables above in order to reconcile to the amounts presented in the Consolidated Balance Sheets. These investments include commingled funds that are composed of equity securities traded publicly on exchanges as well as fixed-income securities that are composed primarily of U.S. government securities and asset-backed securities.

#### **Price Risk Management Instruments**

Price risk management instruments include physical and financial derivative contracts, such as power purchase agreements, forwards, futures, swaps, options, and CRRs that are traded either on an exchange or over-the-counter.

Power purchase agreements, forwards, and swaps are valued using a discounted cash flow model. Exchange-traded futures that are valued using observable market forward prices for the underlying commodity are classified as Level 1. Over-the-counter forwards and swaps that are identical to exchange-traded futures, or are valued using forward prices from broker quotes that are corroborated with market data are classified as Level 2. Exchange-traded options are valued using observable market data and market-corroborated data and are classified as Level 2.

Long-dated power purchase agreements that are valued using significant unobservable data are classified as Level 3. These Level 3 contracts are valued using either estimated basis adjustments from liquid trading points or techniques, including extrapolation from observable prices, when a contract term extends beyond a period for which market data is available. Market and credit risk management utilizes models to derive pricing inputs for the valuation of the Utility's Level 3 instruments using pricing inputs from brokers and historical data.

The Utility holds CRRs to hedge the financial risk of CAISO-imposed congestion charges in the day-ahead market. Limited market data is available in the CAISO auction and between auction dates; therefore, the Utility utilizes historical prices to forecast forward prices. CRRs are classified as Level 3.

#### **Level 3 Measurements and Uncertainty Analysis**

Inputs used and the fair value of Level 3 instruments are reviewed period-over-period and compared with market conditions to determine reasonableness.

Significant increases or decreases in any of those inputs would result in a significantly higher or lower fair value, respectively. All reasonable costs related to Level 3 instruments are expected to be recoverable through customer rates; therefore, there is no impact to net income resulting from changes in the fair value of these instruments. See Note 10 above.

(in millions)	Fair Value at		Valuation Technique	Unobservable Input	Range <sup>(1)</sup> /Weighted-Average Price <sup>(2)</sup>
	Assets	Liabilities			
Congestion revenue rights	\$ 140	\$ 44	Market approach	CRR auction prices	\$ (20.20) - 20.20 / 0.28
Power purchase agreements	\$ 21	\$ 112	Discounted cash flow	Forward prices	\$ 11.77 - 59.38 / 33.62

<sup>(1)</sup> Represents price per megawatt-hour.

<sup>(2)</sup> Unobservable inputs were weighted by the relative fair value of the instruments.

(in millions) Fair Value Measurement	Fair Value at At December 31, 2018		Valuation Technique	Unobservable Input	Range <sup>(1)</sup>
	Assets	Liabilities			
Congestion revenue rights	\$ 203	\$ 75	Market approach	CRR auction prices	\$ (18.61) - 32.26
Power purchase agreements	\$ —	\$ 33	Discounted cash flow	Forward prices	\$ 19.81 - 38.80

<sup>(1)</sup> Represents price per megawatt-hour.

### Level 3 Reconciliation

The following table presents the reconciliation for Level 3 price risk management instruments for the years ended December 31, 2019 and 2018, respectively:

(in millions)	Price Risk Management Instruments	
	2019	2018
Asset (liability) balance as of January 1	\$ 95	\$ 42
Net realized and unrealized gains:		
Included in regulatory assets and liabilities or balancing accounts <sup>(1)</sup>	(90)	53
<b>Asset (liability) balance as of December 31</b>	<b>\$ 5</b>	<b>\$ 95</b>

<sup>(1)</sup> The costs related to price risk management activities are fully passed through to customers in rates. Accordingly, unrealized gains and losses are deferred in regulatory liabilities and assets and net income is not impacted.

### Financial Instruments

PG&E Corporation and the Utility use the following methods and assumptions in estimating fair value for financial instruments: the fair values of cash, net accounts receivable, short-term borrowings, accounts payable, customer deposits, and the Utility's variable rate pollution control bond loan agreements approximate their carrying values at December 31, 2019 and 2018, as they are short-term in nature.

The carrying amount and fair value of PG&E Corporation's and the Utility's long-term debt instruments were as follows (the table below excludes financial instruments with carrying values that approximate their fair values):

(in millions)	At December 31,			
	2019		2018	
	Carrying Amount	Level 2 Fair Value	Carrying Amount	Level 2 Fair Value
<b>Debt (Note 5)</b>				
PG&E Corporation <sup>(1)</sup>	\$ —	\$ —	\$ 350	\$ 350
Utility <sup>(1)(2)</sup>	1,500	1,500	17,450	14,747

<sup>(1)</sup> On January 29, 2019 PG&E Corporation and the Utility filed for Chapter 11 protection. Debt held by PG&E Corporation became debt subject to compromise and is valued at the allowed claim amount. For more information, see Note 2 and Note 5.

<sup>(2)</sup> The fair value of the Utility pre-petition debt is \$17.9 billion as of December 31, 2019. For more information, see Note 2 and Note 5.



### Nuclear Decommissioning Trust Investments

The following table provides a summary of equity securities and available-for-sale debt securities:

(in millions)	Amortized Cost	Total Unrealized Gains	Total Unrealized Losses	Total Fair Value
<b>As of December 31, 2019</b>				
Nuclear decommissioning trusts				
Short-term investments	\$ 6	\$ —	\$ —	\$ 6
Global equity securities	500	1,609	(2)	2,107
Fixed-income securities	1,505	89	(4)	1,590
<b>Total <sup>(1)</sup></b>	<b>\$ 2,011</b>	<b>\$ 1,698</b>	<b>\$ (6)</b>	<b>\$ 3,703</b>
<b>As of December 31, 2018</b>				
Nuclear decommissioning trusts				
Short-term investments	\$ 29	\$ —	\$ —	\$ 29
Global equity securities	568	1,246	(5)	1,809
Fixed-income securities	1,288	30	(18)	1,300
<b>Total <sup>(1)</sup></b>	<b>\$ 1,885</b>	<b>\$ 1,276</b>	<b>\$ (23)</b>	<b>\$ 3,138</b>

<sup>(1)</sup> Represents amounts before deducting \$530 million and \$408 million at December 31, 2019 and 2018, respectively, primarily related to deferred taxes on appreciation of investment value.

The fair value of fixed-income securities by contractual maturity is as follows:

(in millions)	As of December 31, 2019
Less than 1 year	\$ 42
1–5 years	488
5–10 years	397
More than 10 years	663
<b>Total maturities of fixed-income securities</b>	<b>\$ 1,590</b>

The following table provides a summary of activity for the fixed-income and equity securities:

(in millions)	2019	2018	2017
Proceeds from sales and maturities of nuclear decommissioning investments	\$ 956	\$ 1,412	\$ 1,291
Gross realized gains on securities	69	54	53
Gross realized losses on securities	(14)	(24)	(11)

### NOTE 12: EMPLOYEE BENEFIT PLANS

#### Pension Plan and Postretirement Benefits Other than Pensions (“PBOP”)

PG&E Corporation and the Utility sponsor a non-contributory defined benefit pension plan for eligible employees hired before December 31, 2012 and a cash balance plan for those eligible employees hired after this date or who made a one-time election to participate (“Pension Plan”). Certain trusts underlying these plans are qualified trusts under the Internal Revenue Code of 1986, as amended. If certain conditions are met, PG&E Corporation and the Utility can deduct payments made to the qualified trusts, subject to certain limitations. PG&E Corporation’s and the Utility’s funding policy is to contribute tax-deductible amounts, consistent with applicable regulatory decisions and federal minimum funding requirements. On an annual basis, the Utility funds the pension plans up to the amount it is authorized to recover in rates, \$328 million for both 2019 and 2018.

PG&E Corporation and the Utility also sponsor contributory postretirement medical plans for retirees and their eligible dependents, and non-contributory postretirement life insurance plans for eligible employees and retirees. PG&E Corporation and the Utility use a fiscal year-end measurement date for all plans.

On February 27, 2019, PG&E Corporation and the Utility received approval from the Bankruptcy Court to maintain existing pension and other benefit plans during the pendency of the Chapter 11 Cases. (For more information see “First Day Motions” in Note 2 above.)

### Change in Plan Assets, Benefit Obligations, and Funded Status

The following tables show the reconciliation of changes in plan assets, benefit obligations, and the plans’ aggregate funded status for pension benefits and other benefits for PG&E Corporation during 2019 and 2018:

#### *Pension Plan*

(in millions)	2019	2018
<b>Change in plan assets:</b>		
<b>Fair value of plan assets at beginning of year</b>	<b>\$ 15,312</b>	<b>\$ 16,652</b>
Actual return on plan assets	3,713	(923)
Company contributions	328	334
Benefits and expenses paid	(806)	(751)
<b>Fair value of plan assets at end of year</b>	<b>\$ 18,547</b>	<b>\$ 15,312</b>
<b>Change in benefit obligation:</b>		
<b>Benefit obligation at beginning of year</b>	<b>\$ 17,407</b>	<b>\$ 18,757</b>
Service cost for benefits earned	443	514
Interest cost	758	687
Actuarial (gain) loss	2,723	(1,800)
Plan amendments	—	—
Benefits and expenses paid	(806)	(751)
<b>Benefit obligation at end of year <sup>(1)</sup></b>	<b>\$ 20,525</b>	<b>\$ 17,407</b>
<b>Funded Status:</b>		
Current liability	\$ (14)	\$ (8)
Noncurrent liability	(1,964)	(2,087)
<b>Net liability at end of year</b>	<b>\$ (1,978)</b>	<b>\$ (2,095)</b>

<sup>(1)</sup> PG&E Corporation’s accumulated benefit obligation was \$18.4 billion and \$15.8 billion at December 31, 2019 and 2018, respectively.

**Postretirement Benefits Other than Pensions**

(in millions)

	2019	2018
<b>Change in plan assets:</b>		
<b>Fair value of plan assets at beginning of year</b>	<b>\$ 2,258</b>	<b>\$ 2,420</b>
Actual return on plan assets	474	(108)
Company contributions	29	31
Plan participant contribution	82	81
Benefits and expenses paid	(165)	(166)
<b>Fair value of plan assets at end of year</b>	<b>\$ 2,678</b>	<b>\$ 2,258</b>
<b>Change in benefit obligation:</b>		
<b>Benefit obligation at beginning of year</b>	<b>\$ 1,745</b>	<b>\$ 1,897</b>
Service cost for benefits earned	56	66
Interest cost	76	69
Actuarial (gain) loss	22	(221)
Benefits and expenses paid	(150)	(150)
Federal subsidy on benefits paid	2	3
Plan participant contributions	81	81
<b>Benefit obligation at end of year</b>	<b>\$ 1,832</b>	<b>\$ 1,745</b>
<b>Funded Status: <sup>(1)</sup></b>		
Noncurrent asset	\$ 879	\$ 545
Noncurrent liability	(33)	(32)
<b>Net asset at end of year</b>	<b>\$ 846</b>	<b>\$ 513</b>

<sup>(1)</sup> At December 31, 2019 and 2018, the postretirement medical plan was in an overfunded position and the postretirement life insurance plan was in an underfunded position.

There was no material difference between PG&E Corporation and the Utility for the information disclosed above.

**Components of Net Periodic Benefit Cost**

PG&E Corporation and the Utility sponsor a non-contributory defined benefit pension plan and cash balance plan. Both plans are included in “Pension Benefits” below. Post-retirement medical and life insurance plans are included in “Other Benefits” below.

Net periodic benefit cost as reflected in PG&E Corporation’s Consolidated Statements of Income was as follows:

**Pension Plan**

(in millions)

	2019	2018	2017
Service cost for benefits earned <sup>(1)</sup>	\$ 443	\$ 514	\$ 472
Interest cost	758	687	714
Expected return on plan assets	(906)	(1,021)	(770)
Amortization of prior service cost	(6)	(6)	(7)
Amortization of net actuarial loss	3	5	22
<b>Net periodic benefit cost</b>	<b>292</b>	<b>179</b>	<b>431</b>
Less: transfer to regulatory account <sup>(2)</sup>	42	157	(92)
<b>Total expense recognized</b>	<b>\$ 334</b>	<b>\$ 336</b>	<b>\$ 339</b>

<sup>(1)</sup> A portion of service costs are capitalized pursuant to ASU 2017-07.

<sup>(2)</sup> The Utility recorded these amounts to a regulatory account as they are probable of recovery from customers in future rates.

**Postretirement Benefits Other than Pensions**

(in millions)	2019	2018	2017
Service cost for benefits earned <sup>(1)</sup>	\$ 56	\$ 66	\$ 59
Interest cost	76	69	77
Expected return on plan assets	(123)	(130)	(97)
Amortization of prior service cost	14	14	15
Amortization of net actuarial loss	(3)	(5)	4
<b>Net periodic benefit cost</b>	<b>\$ 20</b>	<b>\$ 14</b>	<b>\$ 58</b>

<sup>(1)</sup> A portion of service costs are capitalized pursuant to ASU 2017-07.

Non-service costs are reflected in Other income, net on the Consolidated Statements of Income. Service costs are reflected in Operating and maintenance on the Consolidated Statements of Income.

There was no material difference between PG&E Corporation and the Utility for the information disclosed above.

**Components of Accumulated Other Comprehensive Income**

PG&E Corporation and the Utility record unrecognized prior service costs and unrecognized gains and losses related to pension and post-retirement benefits other than pension as components of accumulated other comprehensive income, net of tax. In addition, regulatory adjustments are recorded in the Consolidated Statements of Income and Consolidated Balance Sheets to reflect the difference between expense or income calculated in accordance with GAAP for accounting purposes and expense or income for ratemaking purposes, which is based on authorized plan contributions. For pension benefits, a regulatory asset or liability is recorded for amounts that would otherwise be recorded to accumulated other comprehensive income. For post-retirement benefits other than pension, the Utility generally records a regulatory liability for amounts that would otherwise be recorded to accumulated other comprehensive income. As the Utility is unable to record a regulatory asset for these other benefits, the charge remains in accumulated other comprehensive income (loss).

The estimated amounts that will be amortized into net periodic benefit costs for PG&E Corporation in 2020 are as follows:

(in millions)	Pension Plan	PBOP Plans
Unrecognized prior service cost	\$ (6)	\$ 14
Unrecognized net loss	3	(21)
<b>Total</b>	<b>\$ (3)</b>	<b>\$ (7)</b>

There were no material differences between the estimated amounts that will be amortized into net periodic benefit costs for PG&E Corporation and the Utility.

**Valuation Assumptions**

The following actuarial assumptions were used in determining the projected benefit obligations and the net periodic benefit costs. The following weighted average year-end assumptions were used in determining the plans' projected benefit obligations and net benefit cost.

	Pension Plan			PBOP Plans		
	December 31,			December 31,		
	2019	2018	2017	2019	2018	2017
<b>Discount rate</b>	3.46 %	4.35 %	3.64 %	3.37 - 3.47%	4.29 - 4.37%	3.60 - 3.67%
<b>Rate of future compensation increases</b>	3.90 %	3.90 %	3.90 %	—	—	—
<b>Expected return on plan assets</b>	5.70 %	6.00 %	6.20 %	3.50 - 6.60%	3.60 - 6.80%	3.30 - 7.10%

The assumed health care cost trend rate as of December 31, 2019 was 6.3%, decreasing gradually to an ultimate trend rate in 2027 and beyond of approximately 4.5%. A one-percentage-point change in assumed health care cost trend rate would have the following effects:

(in millions)	One-Percentage-Point Increase		One-Percentage-Point Decrease	
Effect on postretirement benefit obligation	\$	131	\$	(129)
Effect on service and interest cost		9		(9)

Expected rates of return on plan assets were developed by determining projected stock and bond returns and then applying these returns to the target asset allocations of the employee benefit plan trusts, resulting in a weighted average rate of return on plan assets. Returns on fixed-income debt investments were projected based on real maturity and credit spreads added to a long-term inflation rate. Returns on equity investments were estimated based on estimates of dividend yield and real earnings growth added to a long-term inflation rate. For the pension plan, the assumed return of 5.7% compares to a ten-year actual return of 9.3%. The rate used to discount pension benefits and other benefits was based on a yield curve developed from market data of over approximately 936 Aa-grade non-callable bonds at December 31, 2019. This yield curve has discount rates that vary based on the duration of the obligations. The estimated future cash flows for the pension benefits and other benefit obligations were matched to the corresponding rates on the yield curve to derive a weighted average discount rate.

### Investment Policies and Strategies

The financial position of PG&E Corporation's and the Utility's funded status is the difference between the fair value of plan assets and projected benefit obligations. Volatility in funded status occurs when asset values change differently from liability values and can result in fluctuations in costs in financial reporting, as well as the amount of minimum contributions required under the Employee Retirement Income Security Act of 1974, as amended. PG&E Corporation's and the Utility's investment policies and strategies are designed to increase the ratio of trust assets to plan liabilities at an acceptable level of funded status volatility.

The trusts' asset allocations are meant to manage volatility, reduce costs, and diversify its holdings. Interest rate, credit, and equity risk are the key determinants of PG&E Corporation's and the Utility's funded status volatility. In addition to affecting the trusts' fixed income portfolio market values, interest rate changes also influence liability valuations as discount rates move with current bond yields. To manage volatility, PG&E Corporation's and the Utility's trusts hold significant allocations in long maturity fixed-income investments. Although they contribute to funded status volatility, equity investments are held to reduce long-term funding costs due to their higher expected return. Real assets and absolute return investments are held to diversify the trust's holdings in equity and fixed-income investments by exhibiting returns with low correlation to the direction of these markets. Real assets include commodities futures, global REITS, global listed infrastructure equities, and private real estate funds. Absolute return investments include hedge fund portfolios.

Derivative instruments such as equity index futures are used to meet target equity exposure. Derivative instruments, such as equity index futures and U.S. treasury futures, are also used to rebalance the fixed income/equity allocation of the pension's portfolio. Foreign currency exchange contracts are used to hedge a portion of the non U.S. dollar exposure of global equity investments.

The target asset allocation percentages for major categories of trust assets for pension and other benefit plans are as follows:

	Pension Plan			PBOP Plans		
	2020	2019	2018	2020	2019	2018
Global equity securities	30 %	29 %	29 %	28 %	33 %	33 %
Absolute return	2 %	5 %	5 %	2 %	3 %	3 %
Real assets	8 %	8 %	8 %	8 %	6 %	6 %
Fixed-income securities	60 %	58 %	58 %	62 %	58 %	58 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

PG&E Corporation and the Utility apply a risk management framework for managing the risks associated with employee benefit plan trust assets. The guiding principles of this risk management framework are the clear articulation of roles and responsibilities, appropriate delegation of authority, and proper accountability and documentation. Trust investment policies and investment manager guidelines include provisions designed to ensure prudent diversification, manage risk through appropriate use of physical direct asset holdings and derivative securities, and identify permitted and prohibited investments.

### Fair Value Measurements

The following tables present the fair value of plan assets for pension and other benefits plans by major asset category at December 31, 2019 and 2018.

(in millions)	Fair Value Measurements							
	At December 31,							
	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Pension Plan:</b>								
Short-term investments	\$ 613	\$ 231	\$ —	\$ 844	\$ 333	\$ 22	\$ —	\$ 355
Global equity securities	1,650	—	—	1,650	1,145	—	—	1,145
Absolute Return	—	1	—	1	—	—	—	—
Real assets	548	1	—	549	461	—	—	461
Fixed-income securities	2,227	6,413	15	8,655	1,897	5,216	8	7,121
Assets measured at NAV	—	—	—	6,937	—	—	—	6,202
<b>Total</b>	<b>\$ 5,038</b>	<b>\$ 6,646</b>	<b>\$ 15</b>	<b>\$ 18,636</b>	<b>\$ 3,836</b>	<b>\$ 5,238</b>	<b>\$ 8</b>	<b>\$ 15,284</b>
<b>PBOP Plans:</b>								
Short-term investments	\$ 37	\$ —	\$ —	\$ 37	\$ 33	\$ —	\$ —	\$ 33
Global equity securities	151	—	—	151	115	—	—	115
Real assets	58	—	—	58	50	—	—	50
Fixed-income securities	193	875	1	1,069	153	857	—	1,010
Assets measured at NAV	—	—	—	1,373	—	—	—	1,056
<b>Total</b>	<b>\$ 439</b>	<b>\$ 875</b>	<b>\$ 1</b>	<b>\$ 2,688</b>	<b>\$ 351</b>	<b>\$ 857</b>	<b>\$ —</b>	<b>\$ 2,264</b>
<b>Total plan assets at fair value</b>				<b>\$ 21,324</b>				<b>\$ 17,548</b>

In addition to the total plan assets disclosed at fair value in the table above, the trusts had other net liabilities of \$99 million and other net assets of \$22 million at December 31, 2019 and 2018, respectively, comprised primarily of cash, accounts receivable, deferred taxes, and accounts payable.

### Valuation Techniques

The following describes the valuation techniques used to measure the fair value of the assets and liabilities shown in the table above. All investments that are valued using a net asset value per share can be redeemed quarterly with a notice not to exceed 90 days.

#### Short-Term Investments

Short-term investments consist primarily of commingled funds across government, credit, and asset-backed sectors. These securities are categorized as Level 1 and Level 2 assets.

#### Global Equity securities

The global equity category includes investments in common stock and equity-index futures. Equity investments in common stock are actively traded on public exchanges and are therefore considered Level 1 assets. These equity investments are generally valued based on unadjusted prices in active markets for identical securities. Equity-index futures are valued based on unadjusted prices in active markets and are Level 1 assets.

### **Real Assets**

The real asset category includes portfolios of commodity futures, global REITS, global listed infrastructure equities, and private real estate funds. The commodity futures, global REITS, and global listed infrastructure equities are actively traded on a public exchange and are therefore considered Level 1 assets.

### **Fixed-Income securities**

Fixed-income securities are primarily composed of U.S. government and agency securities, municipal securities, and other fixed-income securities, including corporate debt securities. U.S. government and agency securities primarily consist of U.S. Treasury securities that are classified as Level 1 because the fair value is determined by observable market prices in active markets. A market approach is generally used to estimate the fair value of debt securities classified as Level 2 using evaluated pricing data such as broker quotes, for similar securities adjusted for observable differences. Significant inputs used in the valuation model generally include benchmark yield curves and issuer spreads. The external credit ratings, coupon rate, and maturity of each security are considered in the valuation model, as applicable.

### **Assets Measured at NAV Using Practical Expedient**

Investments in the trusts that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy tables above. The fair value amounts are included in the tables above in order to reconcile to the amounts presented in the Consolidated Balance Sheets. These investments include commingled funds that are composed of equity securities traded publicly on exchanges as well as fixed-income securities that are composed primarily of U.S. government securities, asset-backed securities, and private real estate funds. There are no restrictions on the terms and conditions upon which the investments may be redeemed.

### **Transfers Between Levels**

No material transfers between levels occurred in the years ended December 31, 2019 and 2018.

### **Level 3 Reconciliation**

The following table is a reconciliation of changes in the fair value of instruments for the pension plan that have been classified as Level 3 for the years ended December 31, 2019 and 2018:

(in millions)

<b>For the year ended December 31, 2019</b>	<b>Fixed-Income</b>
Balance at beginning of year	\$ 8
Actual return on plan assets:	
Relating to assets still held at the reporting date	—
Relating to assets sold during the period	—
Purchases, issuances, sales, and settlements:	
Purchases	11
Settlements	(4)
<b>Balance at end of year</b>	<b>\$ 15</b>

(in millions)

<b>For the year ended December 31, 2018</b>	<b>Fixed-Income</b>
Balance at beginning of year	\$ 4
Actual return on plan assets:	
Relating to assets still held at the reporting date	(3)
Relating to assets sold during the period	—
Purchases, issuances, sales, and settlements:	
Purchases	6
Settlements	1
<b>Balance at end of year</b>	<b>\$ 8</b>

There were no material transfers out of Level 3 in 2019 and 2018.

## Cash Flow Information

### Employer Contributions

PG&E Corporation and the Utility contributed \$328 million to the pension benefit plans and \$29 million to the other benefit plans in 2019. These contributions are consistent with PG&E Corporation's and the Utility's funding policy, which is to contribute amounts that are tax-deductible and consistent with applicable regulatory decisions and federal minimum funding requirements. None of these pension or other benefits were subject to a minimum funding requirement requiring a cash contribution in 2019. The Utility's pension benefits met all the funding requirements under Employee Retirement Income Security Act. PG&E Corporation and the Utility expect to make total contributions of approximately \$327 million and \$15 million to the pension plan and other postretirement benefit plans, respectively, for 2020.

### Benefits Payments and Receipts

As of December 31, 2019, the estimated benefits expected to be paid and the estimated federal subsidies expected to be received in each of the next five fiscal years, and in aggregate for the five fiscal years thereafter, are as follows:

(in millions)	Pension Plan	PBOP Plans	Federal Subsidy
2020	801	92	(8)
2021	874	94	(9)
2022	910	92	(2)
2023	944	95	(2)
2024	975	98	(3)
Thereafter in the succeeding five years	5,238	482	(8)

There were no material differences between the estimated benefits expected to be paid by PG&E Corporation and paid by the Utility for the years presented above. There were also no material differences between the estimated subsidies expected to be received by PG&E Corporation and received by the Utility for the years presented above.

### Retirement Savings Plan

PG&E Corporation sponsors a retirement savings plan, which qualifies as a 401(k) defined contribution benefit plan under the Internal Revenue Code 1986, as amended. This plan permits eligible employees to make pre-tax and after-tax contributions into the plan, and provide for employer contributions to be made to eligible participants. Total expenses recognized for defined contribution benefit plans reflected in PG&E Corporation's Consolidated Statements of Income were \$109 million, \$105 million, and \$103 million in 2019, 2018, and 2017, respectively. Beginning January 1, 2019 PG&E Corporation changed its default matching contributions under its 401(k) plan from PG&E Corporation common stock to cash. Beginning in March 2019, at PG&E Corporation's directive, the 401(k) plan trustee began purchasing new shares in the PG&E Corporation common stock fund on the open market rather than directly from PG&E Corporation.

There were no material differences between the employer contribution expense for PG&E Corporation and the Utility for the years presented above.



## NOTE 13: RELATED PARTY AGREEMENTS AND TRANSACTIONS

The Utility and other subsidiaries provide and receive various services to and from their parent, PG&E Corporation, and among themselves. The Utility and PG&E Corporation exchange administrative and professional services in support of operations. Services provided directly to PG&E Corporation by the Utility are priced at the higher of fully loaded cost (i.e., direct cost of good or service and allocation of overhead costs) or fair market value, depending on the nature of the services. Services provided directly to the Utility by PG&E Corporation are generally priced at the lower of fully loaded cost or fair market value, depending on the nature and value of the services. PG&E Corporation also allocates various corporate administrative and general costs to the Utility and other subsidiaries using agreed-upon allocation factors, including the number of employees, operating and maintenance expenses, total assets, and other cost allocation methodologies. Management believes that the methods used to allocate expenses are reasonable and meet the reporting and accounting requirements of its regulatory agencies.

The Utility's significant related party transactions were:

(in millions)	Year Ended December 31,		
	2019	2018	2017
<b>Utility revenues from:</b>			
Administrative services provided to PG&E Corporation	\$ 4	\$ 4	\$ 8
<b>Utility expenses from:</b>			
Administrative services received from PG&E Corporation	\$ 107	\$ 94	\$ 65
Utility employee benefit due to PG&E Corporation	42	76	73

At December 31, 2019 and 2018, the Utility had receivables of \$60 million and \$33 million, respectively, from PG&E Corporation included in accounts receivable – other and other noncurrent assets – other on the Utility's Consolidated Balance Sheets, and payables of \$118 million and \$38 million, respectively, to PG&E Corporation included in accounts payable – other on the Utility's Consolidated Balance Sheets.

## NOTE 14: WILDFIRE-RELATED CONTINGENCIES

PG&E Corporation and the Utility have significant contingencies arising from their operations, including contingencies related to wildfires. A provision for a loss contingency is recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. PG&E Corporation and the Utility evaluate which potential liabilities are probable and the related range of reasonably estimated losses and record a charge that reflects their best estimate or the lower end of the range, if there is no better estimate. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of losses is estimable, often involves a series of complex judgments about future events. Loss contingencies are reviewed quarterly, and estimates are adjusted to reflect the impact of all known information, such as negotiations, discovery, settlements and payments, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. PG&E Corporation's and the Utility's provision for loss and expense excludes anticipated legal costs, which are expensed as incurred. PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows may be materially affected by the outcome of the following matters.

### Pre-petition Wildfire-Related Claims

Pre-petition wildfire-related claims on the Consolidated Financial Statements include amounts associated with the 2018 Camp fire, the 2017 Northern California wildfires, and the 2015 Butte fire.

At December 31, 2019 and December 31, 2018, the Utility's Consolidated Balance Sheets include estimated liabilities in respect of total wildfire-related claims of \$25.5 billion and \$14.2 billion, respectively. The aggregate liability of \$25.5 billion for claims in connection with the 2018 Camp fire, the 2017 Northern California wildfires, and the 2015 Butte fire is comprised of (i) \$11 billion for subrogated insurance claimholders pursuant to the Subrogation RSA, plus (ii) \$47.5 million for expected professional fees for professionals retained by subrogated insurance claimholders to be reimbursed pursuant to the Subrogation RSA, plus (iii) \$1 billion for the Supporting Public Entities with respect to their Public Entity Wildfire Claims pursuant to the PSAs, plus (iv) \$13.5 billion for all other wildfire-related claims, including individual wildfire claimholders (including those with uninsured and underinsured property losses) and clean-up and fire suppression costs, pursuant to the TCC RSA. The aggregate liability of \$25.5 billion for claims in connection with the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire corresponds PG&E Corporation's and the Utility's best estimate of probable losses and is subject to change based on additional information, including the other factors discussed below. (See "2018 Camp Fire, 2017 Northern California Wildfires and 2015 Butte Fire Accounting Charge" below.)

On the Petition Date, all wildfire-related claims were classified as LSTC and all pending litigation was stayed.

In addition, during the year ended December 31, 2019, the Utility incurred legal and other costs of \$152 million related to the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire with \$245 million corresponding costs in the same period in 2018.

### **2018 Camp Fire Background**

According to Cal Fire, on November 8, 2018 at approximately 6:33 a.m., a wildfire began near the city of Paradise, Butte County, California (the "2018 Camp fire"), which is located in the Utility's service territory. Cal Fire's Camp Fire Incident Information Website as of November 15, 2019 (the "Cal Fire website") indicated that the 2018 Camp fire consumed 153,336 acres. On the Cal Fire website, Cal Fire reported 85 fatalities and the destruction of 18,804 structures resulting from the 2018 Camp fire. There have been no subsequent updates of this information on the Cal Fire website.

On May 15, 2019, Cal Fire issued a news release announcing the results of its investigation into the cause of the 2018 Camp fire. According to the news release:

- Cal Fire determined that the 2018 Camp fire was caused by electrical transmission lines owned and operated by the Utility near Pulga, California.
- Cal Fire identified a second ignition site and stated that the second fire was consumed by the original fire which started earlier near Pulga, California. Cal Fire stated that the cause of the second fire was determined to be "vegetation into electrical distribution lines owned and operated by" the Utility.

Cal Fire indicated in its news release that its investigation report for the 2018 Camp fire has been forwarded to the Butte County District Attorney. The California Attorney General's Office is also investigating the 2018 Camp fire. (See "District Attorneys' Offices' Investigations" below for further information regarding the investigations of the 2018 Camp fire.) As of the date of this filing, Cal Fire's investigation report has not been shared with PG&E Corporation or the Utility.

PG&E Corporation and the Utility accept Cal Fire's determination that the 2018 Camp fire ignited at the first ignition site. PG&E Corporation and the Utility have not been able to form a conclusion as to whether a second fire ignited as a result of vegetation contact with the Utility's facilities.

PG&E Corporation and the Utility are continuing to review the evidence concerning the 2018 Camp fire. PG&E Corporation and the Utility have not yet had access to all of the evidence collected by Cal Fire as part of its investigation or to the investigation report prepared by Cal Fire.

Further, the CPUC's SED also conducted investigations into whether the Utility committed civil violations in connection with the 2018 Camp fire. On November 26, 2019, the SED concluded its investigation into the 2018 Camp fire and released a report alleging certain violations of state law and CPUC regulations. See "Order Instituting an Investigation into the 2017 Northern California Wildfires and the 2018 Camp Fire" in Note 15 for a description of these proceedings, including the alleged violations in connection with the 2018 Camp fire.

## **2017 Northern California Wildfires Background**

Beginning on October 8, 2017, multiple wildfires spread through Northern California, including Napa, Sonoma, Butte, Humboldt, Mendocino, Lake, Nevada, and Yuba Counties, as well as in the area surrounding Yuba City (the “2017 Northern California wildfires”). According to the Cal Fire California Statewide Fire Summary dated October 30, 2017, at the peak of the 2017 Northern California wildfires, there were 21 major fires that, in total, burned over 245,000 acres and destroyed an estimated 8,900 structures. The 2017 Northern California wildfires resulted in 44 fatalities.

Cal Fire has investigated the causes of the 2017 Northern California wildfires and made the following determinations:

- the Utility’s equipment was involved in causing 20 wildfires (the La Porte, McCourtney, Lobo, Honey, Redwood, Sulphur, Cherokee, 37, Blue, Norrbom, Adobe, Partrick, Pythian, Nuns, Pocket, Atlas, Cascade, Pressley, Point and Youngs fires); and
- the Tubbs fire was caused by a private electrical system adjacent to a residential structure.

As described under the heading “District Attorneys’ Offices’ Investigations” below, certain of the 2017 Northern California wildfires were the subject of criminal investigations, which have been settled or resulted in PG&E Corporation and the Utility being informed by the applicable district attorneys’ office of a decision not to prosecute.

The SED also conducted investigations into whether the Utility committed civil violations in connection with the 2017 Northern California wildfires. See “Order Instituting an Investigation into the 2017 Northern California Wildfires and the 2018 Camp Fire” in Note 15 for a description of these proceedings, including the alleged violations in connection with the 2017 Northern California wildfires.

## **Third-Party Claims, Investigations and Other Proceedings Related to the 2018 Camp Fire and 2017 Northern California Wildfires**

If the Utility’s facilities, such as its electric distribution and transmission lines, are determined to be the substantial cause of one or more fires, and the doctrine of inverse condemnation applies, the Utility could be liable for property damage, business interruption, interest and attorneys’ fees without having been found negligent. California courts have imposed liability under the doctrine of inverse condemnation in legal actions brought by property holders against utilities on the grounds that losses borne by the person whose property was damaged through a public use undertaking should be spread across the community that benefited from such undertaking, and based on the assumption that utilities have the ability to recover these costs from their customers. Further, California courts have determined that the doctrine of inverse condemnation is applicable regardless of whether the CPUC ultimately allows recovery by the utility for any such costs. The CPUC may decide not to authorize cost recovery even if a court decision were to determine that the Utility is liable as a result of the application of the doctrine of inverse condemnation. (See “Loss Recoveries – Regulatory Recovery” below for further information regarding potential cost recovery related to the wildfires, including in connection with SB 901.)

On October 25, 2019, PG&E Corporation and the Utility submitted a brief to the Bankruptcy Court challenging the application of inverse condemnation to California’s investor-owned utilities, including the Utility. The Bankruptcy Court heard argument regarding PG&E Corporation’s and the Utility’s motion on November 19, 2019. On December 3, 2019, the Bankruptcy Court entered an order holding that the doctrine of inverse condemnation applied to California’s investor-owned utilities, including the Utility, and certifying the decision for direct appeal to the U.S. Court of Appeals for the Ninth Circuit. PG&E Corporation and the Utility have appealed this decision; however, as of the date of this filing, this appeal was stayed upon request of PG&E Corporation and the Utility.

In addition to claims for property damage, business interruption, interest and attorneys’ fees, the Utility could be liable for fire suppression costs, evacuation costs, medical expenses, personal injury damages, punitive damages and other damages under other theories of liability, including if the Utility were found to have been negligent.

Further, the Utility could be subject to material fines, penalties, or restitution orders if the CPUC or any law enforcement agency were to bring an enforcement action, including a criminal proceeding, and it were determined that the Utility had failed to comply with applicable laws and regulations.

As of January 28, 2019, before the automatic stay arising as a result of the filing of the Chapter 11 Cases, PG&E Corporation and the Utility were aware of approximately 100 complaints on behalf of at least 4,200 plaintiffs related to the 2018 Camp fire, nine of which sought to be certified as class actions. The pending civil litigation against PG&E Corporation and the Utility related to the 2018 Camp fire, which is currently stayed as a result of the commencement of the Chapter 11 Cases, included claims under multiple theories of liability, including, but not limited to, inverse condemnation, trespass, private nuisance, public nuisance, negligence, negligence per se, negligent interference with prospective economic advantage, negligent infliction of emotional distress, premises liability, violations of the Public Utilities Code, violations of the Health & Safety Code, malice and false advertising in violation of the California Business and Professions Code. The plaintiffs principally asserted that PG&E Corporation's and the Utility's alleged failure to maintain and repair their distribution and transmission lines and failure to properly maintain the vegetation surrounding such lines were the causes of the 2018 Camp fire. The plaintiffs sought damages and remedies that include wrongful death, personal injury, property damage, evacuation costs, medical expenses, establishment of a class action medical monitoring fund, punitive damages, attorneys' fees and other damages.

As of January 28, 2019, before the automatic stay arising as a result of the filing of the Chapter 11 Cases, PG&E Corporation and the Utility were aware of approximately 750 complaints on behalf of at least 3,800 plaintiffs related to the 2017 Northern California wildfires, five of which sought to be certified as class actions. These cases were coordinated in the San Francisco County Superior Court. As of the Petition Date, the coordinated litigation was in the early stages of discovery. A trial with respect to the Atlas fire was scheduled to begin on September 23, 2019. The pending civil litigation against PG&E Corporation and the Utility related to the 2017 Northern California wildfires included claims under multiple theories of liability, including, but not limited to, inverse condemnation, trespass, private nuisance and negligence. This litigation, including the trial date with respect to the Atlas fire, currently is stayed as a result of the commencement of the Chapter 11 Cases. The plaintiffs principally asserted that PG&E Corporation's and the Utility's alleged failure to maintain and repair their distribution and transmission lines and failure to properly maintain the vegetation surrounding such lines were the causes of the 2017 Northern California wildfires. The plaintiffs sought damages and remedies that include wrongful death, personal injury, property damage, evacuation costs, medical expenses, punitive damages, attorneys' fees and other damages.

As described below under the heading "Restructuring Support Agreement with the TCC," on December 6, 2019, PG&E Corporation and the Utility entered into a RSA with the TCC, the Consenting Fire Claimant Professionals and the Shareholder Proponents to potentially resolve all wildfire-related claims relating to the 2017 Northern California wildfires and the 2018 Camp fire (other than subrogated insurance claims and Public Entity Wildfire Claims) through the Chapter 11 process. On December 19, 2019, the Bankruptcy Court entered an order granting PG&E Corporation's and the Utility's motion to approve the TCC RSA.

Insurance carriers who have made payments to their insureds for property damage arising out of the 2017 Northern California wildfires filed 52 subrogation complaints in the San Francisco County Superior Court and the Sonoma County Superior Court as of January 28, 2019. These complaints allege, among other things, negligence, inverse condemnation, trespass and nuisance. The allegations are similar to the ones made by individual plaintiffs. As of January 28, 2019, before the automatic stay arising as a result of the filing of the Chapter 11 Cases, insurance carriers filed 39 similar subrogation complaints with respect to the 2018 Camp fire in the Sacramento County Superior Court and the Butte County Superior Court. As described below under the heading "Restructuring Support Agreement with Holders of Subrogation Claims," on September 22, 2019, PG&E Corporation and the Utility entered into a RSA with certain holders of insurance subrogation claims to potentially resolve all insurance subrogation claims relating to the 2017 Northern California wildfires and the 2018 Camp fire through the Chapter 11 process. On December 19, 2019, the Bankruptcy Court entered an order granting PG&E Corporation's and the Utility's motion to approve the Subrogation RSA.

Various government entities, including Yuba, Nevada, Lake, Mendocino, Napa and Sonoma Counties and the Cities of Santa Rosa and Clearlake, also asserted claims against PG&E Corporation and the Utility based on the damages that these government entities allegedly suffered as a result of the 2017 Northern California wildfires. Such alleged damages included, among other things, loss of natural resources, loss of public parks, property damages and fire suppression costs. The causes of action and allegations are similar to the ones made by individual plaintiffs and the insurance carriers. With respect to the 2018 Camp fire, Butte County has filed similar claims against PG&E Corporation and the Utility. As described below under the heading "Plan Support Agreements with Public Entities," on June 18, 2019, PG&E Corporation and the Utility entered into agreements with certain government entities to potentially resolve their wildfire-related claims through the Chapter 11 process. The PSAs do not require Bankruptcy Court approval to be effective; however, the Bankruptcy Court must ultimately approve the Proposed Plan that incorporates the terms of the PSAs.

FEMA has filed proofs of claim in the Chapter 11 Cases in the amount of \$1.2 billion in connection with the 2017 Northern California wildfires and \$2.6 billion in connection with the 2018 Camp fire. FEMA has objected to the classification of their claims under the Proposed Plan as Fire Victim Claims and has indicated that it intends to seek to have its claims classified separately from the Fire Victim Claims. In addition, Cal Fire has filed proofs of claim in the Chapter 11 Cases in the amount of \$133 million in connection with the 2017 Northern California wildfires and specifying at least \$110 million in connection with the 2018 Camp fire. The OES has filed proofs of claim in the amount of \$347 million in connection with the 2017 Northern California wildfires and \$2.3 billion in connection with the 2018 Camp fire. The California Department of Transportation has filed proofs of claim in the Chapter 11 Cases in the amount of \$217 million in connection with the 2018 Camp fire. Certain other Federal, state and local entities (that are not Supporting Public Entities) have filed proofs of claim in the Chapter 11 Cases in connection with the 2017 Northern California wildfires and the 2018 Camp fire asserting total claims in the amount of \$503 million. Proofs of claim have also been filed for unspecified amounts to be determined at a later time. On December 12, 2019, the TCC filed an objection to the claims filed by OES in which it argued that the Bankruptcy Court should disallow the OES claims. On January 9, 2020, the TCC filed a supplement to its objection in which it also objected to the claims filed by FEMA. On February 5, 2020, PG&E Corporation and the Utility joined in the TCC's objection to the OES and FEMA claims. On February 12, 2020, a number of individuals and businesses who hold wildfire-related claims in connection with the 2015 Butte fire, 2017 Northern California wildfires and 2018 Camp fire, as well as certain of the Tubbs Preference Plaintiffs, joined in the TCC's objection to the OES and FEMA claims. Also on February 12, 2020, OES and FEMA filed oppositions to the TCC's objection. A hearing on the objection is scheduled for February 26, 2020.

As described in Note 2, on July 1, 2019, the Bankruptcy Court entered an order approving the Bar Date of October 21, 2019, at 5:00 p.m. (Pacific Time) for filing claims against PG&E Corporation and the Utility relating to the period prior to the Petition Date, including claims in connection with the 2018 Camp fire and the 2017 Northern California wildfires. On November 11, 2019, the Bankruptcy Court entered an order approving a stipulation between PG&E Corporation and the Utility and the TCC to extend the Bar Date for unfiled, non-governmental fire claimants to December 31, 2019, at 5:00 p.m. (Pacific Time). See "Potential Claims" in Note 2 above.

Regardless of any determinations of cause by Cal Fire with respect to any pre-petition fire, ultimately PG&E Corporation's and the Utility's liability will be determined through the Chapter 11 process (including the settlement agreements described below), regulatory proceedings and any potential enforcement proceedings. The timing and outcome of these and other potential proceedings are uncertain.

As discussed under the headings "Plan Support Agreements with Public Entities," "Restructuring Support Agreement with Holders of Subrogation Claims" and "Restructuring Support Agreement with the TCC," PG&E Corporation and the Utility have entered into agreements with certain government entity claimholders, certain insurance subrogation claimholders, and the TCC and the Consenting Fire Claimant Professionals, which agreements would potentially resolve all wildfire-related claims arising from the 2017 Northern California wildfires and the 2018 Camp fire. The resolution of claims asserted by certain federal and California government entities that are not Supporting Public Entities is contemplated by the TCC RSA, however, no government entity is a party to the TCC RSA, and accordingly there can be no assurance that such government entities will support the Proposed Plan or the treatment of their claims in the Chapter 11 cases as provided by the Proposed Plan.

#### ***Proceeding in San Francisco County Superior Court for Certain Tubbs Fire-Related Claims (the "Tubbs Trial")***

In connection with the TCC RSA, on December 26, 2019, the San Francisco Superior Court entered an order vacating all dates and deadlines in the Tubbs Trial and scheduled a hearing for March 2, 2020 to show cause regarding dismissal of the Tubbs Trial.

On January 6, 2020, in accordance with the terms of the TCC RSA, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court seeking authority to enter into settlement agreements settling and liquidating the claims asserted against PG&E Corporation and the Utility by each of the Tubbs preference plaintiffs. On January 30, 2020, the Bankruptcy Court issued an order granting PG&E Corporation and the Utility's motion to enter into settlement agreements with each of the Tubbs preference plaintiffs.

#### ***Wildfire Claims Estimation Proceeding in the U.S. District Court for the Northern District of California (the "Estimation Proceeding")***

On July 18, 2019, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court for entry of an order establishing procedures and schedules for the estimation of PG&E Corporation's and the Utility's aggregate liability for certain claims arising out of the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire.

On August 21, 2019, the Bankruptcy Court issued recommendations to the District Court recommending the District Court order the partial withdrawal of the reference of the section 502(c) estimation of unliquidated claims arising from the 2018 Camp fire and the 2017 Northern California wildfires. On August 23, 2019, the District Court issued an order adopting the recommendation of the Bankruptcy Court in full and ordering that the reference to the Bankruptcy Court be withdrawn in part.

On October 9, 2019, the District Court issued an initial order for the estimation hearings to begin on February 18, 2020 and conclude on February 28, 2020, with the possibility of an additional week of hearings if warranted.

In connection with the TCC RSA, on December 20, 2019, the District Court entered an order staying the Estimation Proceeding and vacating the February 18, 2020 hearing and all pre-hearing dates.

### ***Plan Support Agreements with Public Entities***

On June 18, 2019, PG&E Corporation and the Utility entered into PSAs with certain local public entities providing for an aggregate of \$1.0 billion to be paid by PG&E Corporation and the Utility to such public entities pursuant to the Proposed Plan in order to settle such public entities' claims against PG&E Corporation and the Utility relating to the 2018 Camp fire, 2017 Northern California wildfires and 2015 Butte fire (collectively, "Public Entity Wildfire Claims"). PG&E Corporation and the Utility have entered into a PSA with each of the following public entities or groups of public entities, as applicable:

- the City of Clearlake, the City of Napa, the City of Santa Rosa, the County of Lake, the Lake County Sanitation District, the County of Mendocino, Napa County, the County of Nevada, the County of Sonoma, the Sonoma County Agricultural Preservation and Open Space District, the Sonoma County Community Development Commission, the Sonoma County Water Agency, the Sonoma Valley County Sanitation District and the County of Yuba (collectively, the "2017 Northern California Wildfire Public Entities");
- the Town of Paradise;
- the County of Butte;
- the Paradise Recreation & Park District;
- the County of Yuba; and
- the Calaveras County Water District.

For purposes of each PSA, the local public entities that are party to such PSA are referred to herein as "Supporting Public Entities."

Each PSA provides that the Proposed Plan will include, among other things, the following elements:

- following the effective date of the Proposed Plan, PG&E Corporation and the Utility will remit a Settlement Amount (as defined below) in the amount set forth below to the applicable Supporting Public Entities in full and final satisfaction and discharge of their Public Entity Wildfire Claims, and
- subject to the Supporting Public Entities voting affirmatively to accept the Proposed Plan, following the effective date of the Proposed Plan, PG&E Corporation and the Utility will create and promptly fund \$10.0 million to a segregated fund to be used by the Supporting Public Entities collectively in connection with the defense or resolution of claims against the Supporting Public Entities by third parties relating to the wildfires noted above ("Third Party Claims").

The "Settlement Amount" set forth in each PSA is as follows:

- for the 2017 Northern California Wildfire Public Entities, \$415.0 million (which amount will be allocated among such entities),
- for the Town of Paradise, \$270.0 million,
- for the County of Butte, \$252.0 million,

- for the Paradise Recreation & Park District, \$47.5 million,
- for the County of Yuba, \$12.5 million, and
- for the Calaveras County Water District, \$3.0 million.

Each PSA provides that, subject to certain terms and conditions, the Supporting Public Entities will support the Proposed Plan with respect to its treatment of their respective Public Entity Wildfire Claims, including by voting to accept the Proposed Plan in the Chapter 11 Cases.

Each PSA may be terminated by the applicable Supporting Public Entities under certain circumstances, including:

- if the Federal Emergency Management Agency or the OES fails to agree that no reimbursement is required from the Supporting Public Entities on account of assistance rendered by either agency in connection with the wildfires noted above, and
- by any individual Supporting Public Entity, if a material amount of Third Party Claims is filed against such Supporting Public Entity and such Third Party Claims are not released pursuant to the Proposed Plan.

Each PSA may be terminated by PG&E Corporation and the Utility under certain circumstances, including if:

- PG&E Corporation and the Utility do not obtain the consent, or the waiver of the lack of consent as a defense, of their insurance carriers for the policy years 2017 and 2018,
- the Board of Directors of either PG&E Corporation or the Utility determines in good faith that continued performance under the PSA would be inconsistent with the exercise of its fiduciary duties, and
- any Supporting Public Entity terminates a PSA, in which case PG&E Corporation and the Utility may terminate any other PSA.

#### ***Restructuring Support Agreement with Holders of Subrogation Claims***

On September 22, 2019, PG&E Corporation and the Utility entered into a Restructuring Support Agreement with the Consenting Subrogation Creditors of insurance subrogation claims, which agreement was amended and restated on November 1, 2019 and subsequently further amended during November and December 2019 (as amended, the “Subrogation RSA”). The Subrogation RSA provides for an aggregate amount of \$11.0 billion (the “Aggregate Subrogation Recovery”) to be paid by PG&E Corporation and the Utility pursuant to the Proposed Plan in order to settle the Subrogation Claims, upon the terms and conditions set forth in the Subrogation RSA. Under the Subrogation RSA, PG&E Corporation and the Utility have also agreed to reimburse the holders of Subrogation Claims for professional fees of up to \$55 million, upon the terms and conditions set forth in the Subrogation RSA.

The Subrogation RSA provides that, subject to certain terms and conditions (including that PG&E Corporation and the Utility remain solvent), the Consenting Subrogation Creditors will support the Proposed Plan with respect to its treatment of the Subrogation Claims, including by voting their Subrogation Claims to accept the Proposed Plan in the Chapter 11 Cases.

On September 24, 2019, PG&E Corporation and the Utility filed a motion with the Bankruptcy Court seeking authority to enter into, and perform under, the Subrogation RSA and approving the terms of the settlement contemplated under the Subrogation RSA. On December 19, 2019, the Bankruptcy Court entered an order granting PG&E Corporation’s and the Utility’s motion to approve the Subrogation RSA.

On December 31, 2019, the Ad Hoc Noteholder Committee filed a motion with the Bankruptcy Court to vacate the Bankruptcy Court’s order approving the Subrogation RSA in its entirety or, in the alternative, vacate the Bankruptcy Court’s order approving the Subrogation RSA and condition approval of the Subrogation RSA on removal of certain provisions contained therein. Pursuant to the Noteholder RSA, the Ad Hoc Noteholder Committee withdrew its motion on February 5, 2020.

The Subrogation RSA will automatically terminate if (i) the Proposed Plan is not confirmed by June 30, 2020 (or such later date as may be authorized by any amendment to AB 1054) or (ii) the Effective Date does not occur prior to December 31, 2020 (or six months following the deadline for confirmation of the Proposed Plan if such deadline is extended by any amendment to AB 1054).

The Subrogation RSA may be terminated by any Consenting Subrogation Creditor as to itself if the Aggregate Subrogation Recovery is modified. The Subrogation RSA may be terminated by the Consenting Subrogation Creditors holding at least two-thirds of the Subrogation Claims held by Consenting Subrogation Creditors under certain circumstances, including, among others, if (i) they reasonably determine in good faith at any time prior to confirmation of the Proposed Plan that PG&E Corporation and the Utility are insolvent or otherwise unable to raise sufficient capital to pay the Aggregate Subrogation Recovery on the Effective Date, (ii) PG&E Corporation and the Utility breach the terms of the Subrogation RSA or otherwise fail to take certain actions specified in the Subrogation RSA, (iii) the Proposed Plan does not treat the individual plaintiffs' wildfire-related claims consistent with the provisions of AB 1054, (iv) the Bankruptcy Court allows a plan proponent other than PG&E Corporation and the Utility to commence soliciting votes on a plan (other than the Proposed Plan) that incorporates the terms of the settlement contemplated by the Subrogation RSA and PG&E Corporation and the Utility have not already commenced soliciting votes on the Proposed Plan which incorporates such settlement, (v) the Bankruptcy Court confirms a plan other than the Proposed Plan or (vi) the Proposed Plan is modified to be inconsistent with such settlement. The Subrogation RSA may be terminated by PG&E Corporation and the Utility (a) in the event of certain breaches of the Subrogation RSA by Consenting Subrogation Creditors holding at least 5% of the Subrogation Claims held by Consenting Subrogation Creditors or (b) if the Bankruptcy Court confirms a plan other than the Proposed Plan or if the terms of the Proposed Plan related to the settlement contemplated by the Subrogation RSA become unenforceable or are enjoined.

Subject to certain limited exceptions, the valuation of the Subrogation Claims in an aggregate amount of \$11.0 billion (the "Allowed Subrogation Claim Amount") will survive any termination of the Subrogation RSA and will be binding on PG&E Corporation and the Utility in the Chapter 11 Cases.

### ***Restructuring Support Agreement with the TCC***

On December 6, 2019, PG&E Corporation and the Utility entered into a Restructuring Support Agreement, which was subsequently amended on December 16, 2019, with the TCC, the Consenting Fire Claimant Professionals and the Shareholder Proponents (as amended, the "TCC RSA"). The TCC RSA provides for, among other things, an aggregate of \$13.5 billion in value to be provided by PG&E Corporation and the Utility pursuant to the Proposed Plan (together with certain additional rights, the "Aggregate Fire Victim Consideration") in order to settle and discharge the Fire Victim Claims, upon the terms and conditions set forth in the TCC RSA and the Proposed Plan. The Aggregate Fire Victim Consideration is to be funded into a trust (the "Fire Victim Trust") to be established pursuant to the Proposed Plan for the benefit of holders of the Fire Victim Claims and will consist of (a) \$5.4 billion in cash contributed on the effective date of the Proposed Plan, (b) \$1.35 billion in cash comprising (i) \$650 million paid in cash on or before January 15, 2021 and (ii) \$700 million paid in cash on or before January 15, 2022, subject to the terms of a tax benefit payment agreement to be entered into between the Fire Victim Trust and the reorganized Utility, and (c) \$6.75 billion in common stock of the reorganized PG&E Corporation valued at 14.9 times Normalized Estimated Net Income (as defined in the TCC RSA), except that the Fire Victim Trust's share ownership of the reorganized PG&E Corporation will not be less than 20.9% based on the number of fully diluted shares of the reorganized PG&E Corporation outstanding as of the effective date of the Proposed Plan, assuming the Utility's current allowed ROE. Under certain circumstances, including certain change of control transactions and in connection with the monetization of certain tax benefits related to the payment of wildfire-related claims, the payments described in (b) will be accelerated and payable upon an earlier date. The Aggregate Fire Victim Consideration also includes (1) the assignment by PG&E Corporation and the Utility to the Fire Victim Trust of certain rights and causes of action related to the 2015 Butte fire, the 2017 Northern California wildfires and the 2018 Camp fire (together, the "Fires") that PG&E Corporation and the Utility may have against certain third parties and (2) the assignment of rights under the 2015 and 2016 insurance policies to resolve any claims related to the Fires in those policy years, other than the rights of PG&E Corporation and the Utility to be reimbursed under the 2015 insurance policies for claims submitted prior to the Petition Date.



Under the terms of the Proposed Plan, all Fire Victim Claims, including claims by uninsured and underinsured individual claimholders as well as government entities that are not Supporting Public Entities (including FEMA and OES/Cal Fire), would be settled and discharged in consideration of the payment of the Aggregate Fire Victim Consideration to the Fire Victim Trust. However, the TCC RSA is an agreement among PG&E Corporation and the Utility, the TCC, the Shareholder Proponents, and the Consenting Fire Claimant Professionals, which are attorneys representing individual claimholders. No individual claimholder or government entity (including FEMA and OES/Cal Fire) is a party to the TCC RSA. Accordingly, there can be no assurance that such claimholders or government entities will support the Proposed Plan or the treatment of their Fire Victim Claims in the Chapter 11 Cases as provided in the Proposed Plan.

In addition, each party to the TCC RSA must, among other things, (a) use commercially reasonable efforts to support and cooperate with PG&E Corporation and the Utility to obtain confirmation of the Proposed Plan and any necessary regulatory or other approvals, and (b) oppose efforts and procedures to confirm the Ad Hoc Noteholder Plan. Each party to the TCC RSA also must not, among other things, (1) object to, delay, impede, or take any other action to interfere with acceptance, confirmation or implementation of the Proposed Plan or (2) propose, file or support any other plan of reorganization, restructuring, or sale of assets with respect to PG&E Corporation and the Utility. Each Consenting Fire Claimant Professional must use all reasonable efforts to advise and recommend to its existing and future clients (who hold Fire Victim Claims) to support and vote to accept the Proposed Plan and to opt-in to consensual releases under the Proposed Plan.

The TCC RSA will automatically terminate under certain circumstances, including, among others, if (a) a sufficient number of Fire Victim Claims votes to accept the Proposed Plan such that the class of Fire Victim Claims in the Proposed Plan votes to accept the Proposed Plan under 11 U.S.C. § 1126(c) as determined by the Bankruptcy Court are not made by the later of (i) the voting deadline for the Proposed Plan or (ii) June 30, 2020, (b) the disclosure statement for the Proposed Plan is not approved by the Bankruptcy Court by March 30, 2020 and a motion seeking approval of the settlement of the Estimation Proceeding for the Aggregate Fire Victim Consideration is not filed by March 30, 2020, (c) the Proposed Plan is not confirmed by the Bankruptcy Court by June 30, 2020, or (d) the effective date of the Proposed Plan does not occur prior to August 29, 2020 (which deadlines in (b) through (d) of this paragraph may be extended by consent of PG&E Corporation and the Utility, the TCC, the Shareholder Proponents and the Requisite Consenting Fire Claimant Professionals (as defined below)).

The TCC RSA may be terminated by the TCC or the Requisite Consenting Fire Claimant Professionals (consisting of (a) the TCC, acting by vote of simple majority of its members, and (b) a group of thirteen law firms (subject to addition) that are Consenting Fire Claimant Professionals and whose initial members are specified in the TCC RSA, acting by vote of a simple majority of its members) if (a) PG&E Corporation and the Utility or the Shareholder Proponents breach any of their obligations, representations, warranties or covenants set forth in the TCC RSA, (b) PG&E Corporation and the Utility and the Shareholder Proponents fail to prosecute the Proposed Plan and seek entry of a confirmation order that contains or is otherwise consistent with the terms of the TCC RSA, or propose, pursue or support a Chapter 11 plan of reorganization or confirmation order inconsistent with the terms of the TCC RSA or the Proposed Plan, (c) the Proposed Plan is or is modified to be inconsistent with the terms of the TCC RSA, or (d) the TCC or the Requisite Consenting Fire Claimant Professionals determine on or before the date of the Bankruptcy Court hearing to approve the TCC RSA that Section 4.19(f)(ii) of the Proposed Plan (and any related provisions) has not been modified to their satisfaction. The TCC RSA may be terminated by PG&E Corporation and the Utility or the Shareholder Proponents if (1) either the TCC or Consenting Fire Claimant Professionals that represent in the aggregate more than 8,000 holders of Fire Victim Claims breach any of their obligations, representations, warranties or covenants set forth in the TCC RSA or (2) if the TCC takes any action inconsistent with its obligations under the TCC RSA or fails to take any action required under the TCC RSA.

PG&E Corporation and the Utility' obligation relating to the Tubbs Preference Settlements will survive any termination of the TCC RSA and will be enforceable against PG&E Corporation and the Utility. In addition, the TCC RSA provides that, upon termination of the TCC RSA, (a) the Estimation Proceeding will immediately recommence and (b) all litigation regarding the Tubbs fire, including a determination of whether or not the Utility caused the Tubbs fire, will be determined by the District Court without any reference to any state court proceeding. On December 19, 2019, the Bankruptcy Court entered an order granting PG&E Corporation's and the Utility's motion to approve the TCC RSA.

Pursuant to further discussions with claimants relating to the Ghost Ship fire, PG&E Corporation and the Utility expect certain provisions of the TCC RSA to be superseded by their revised plan of reorganization, and accordingly the above description of the TCC RSA has been revised to reflect the fact that claims arising out of the Ghost Ship fire will be resolved separately from the TCC RSA.

## 2015 Butte Fire

In September 2015, a wildfire (the “2015 Butte fire”) ignited and spread in Amador and Calaveras Counties in Northern California. Cal Fire concluded that the 2015 Butte fire was caused when a gray pine tree contacted the Utility’s electric line, which ignited portions of the tree, and determined that the failure by the Utility and/or its vegetation management contractors, ACRT Inc. and Trees, Inc., to identify certain potential hazards during its vegetation management program ultimately led to the failure of the tree.

### *Third-Party Claims*

On May 23, 2016, individual plaintiffs filed a master complaint against the Utility and its two vegetation management contractors in the Superior Court of California, County of Sacramento. Subrogation insurers also filed a separate master complaint on the same date. The California Judicial Council previously had authorized the coordination of all cases in Sacramento County. As of January 28, 2019, 95 known complaints were filed against the Utility and its two vegetation management contractors in the Superior Court of California in the Counties of Calaveras, San Francisco, Sacramento, and Amador. The complaints involve approximately 3,900 individual plaintiffs representing approximately 2,000 households and their insurance companies. These complaints were part of, or were in the process of being added to, the coordinated proceeding. Plaintiffs sought to recover damages and other costs, principally based on the doctrine of inverse condemnation and negligence theory of liability. Plaintiffs also sought punitive damages. The Utility believes a loss related to punitive damages is unlikely, but possible. Several plaintiffs dismissed the Utility’s two vegetation management contractors from their complaints. The Utility does not expect the number of claimants to increase significantly in the future, because the statute of limitations for property damage and personal injury in connection with the 2015 Butte fire has expired. Further, due to the commencement of the Chapter 11 Cases, these plaintiffs have been stayed from continuing to prosecute pending litigation and from commencing new lawsuits against PG&E Corporation or the Utility on account of pre-petition obligations. On January 30, 2019, the Court in the coordinated proceeding issued an order staying the action.

On June 22, 2017, the Superior Court of California, County of Sacramento ruled on a motion of several plaintiffs and found that the doctrine of inverse condemnation applied to the Utility with respect to the 2015 Butte fire. On January 4, 2018, the Utility filed with the court a renewed motion for a legal determination of inverse condemnation liability.

On May 1, 2018, the Superior Court of California, County of Sacramento issued its ruling on the Utility’s renewed motion in which the court affirmed, with minor changes, its tentative ruling dated April 25, 2018. The Utility reached agreement with two plaintiffs in the litigation to stipulate to judgment against the Utility on inverse condemnation grounds. The court granted the Utility’s stipulated judgment motion on November 29, 2018 and the Utility filed its appeal on December 11, 2018. As a result of the filing of the Chapter 11 Cases, these lawsuits, including the trial and the appeal from the stipulated judgment, are stayed.

In addition to the coordinated plaintiffs, Cal Fire, the OES, the County of Calaveras, the Calaveras County Water District, and four smaller public entities (three fire districts and the California Department of Veterans Affairs) brought suit or indicated that they intended to do so. The Utility settled the claims of the three fire protection districts and the Calaveras County Water District.

On April 13, 2017, Cal Fire filed a complaint with the Superior Court of California, County of Calaveras, seeking to recover over \$87 million for its costs incurred, which proceeding is now stayed. Prior to the stay, the Utility and Cal Fire were also engaged in a mediation process.

Also, on February 20, 2018, the County of Calaveras filed suit against the Utility and the Utility’s vegetation management contractors. The Utility and the County of Calaveras settled the County’s claims in November 2018 for \$25 million.

Further, in May 2017, the OES indicated that it intended to bring a claim against the Utility related to the Butte fire that it estimated to be approximately \$190 million. The Utility has not received any information or documentation from the OES since its May 2017 statement, other than a proof of claim for \$107 million filed with the Bankruptcy Court. In June 2017, the Utility entered into an agreement with the OES that extended its deadline to file a claim to December 2020.

PG&E Corporation’s and the Utility’s obligations with respect to such outstanding claims are expected to be determined through the Chapter 11 process. As described in Note 2, the Bar Date for filing claims against PG&E Corporation and the Utility relating to the period prior to the Petition Date, including claims in connection with the 2015 Butte fire, has passed. PG&E Corporation and the Utility have received numerous proofs of claim in connection with the 2015 Butte fire since the Petition Date and are early in the process of reconciling those claims to the amount listed in the schedules of assets and liabilities. See “Potential Claims” in Note 2 above.

As discussed under the headings “Plan Support Agreements with Public Entities” and “Restructuring Support Agreement with the TCC,” PG&E Corporation and the Utility have entered into agreements to potentially resolve certain government entity claimholders’ wildfire-related claims arising from the 2015 Butte fire as well as with the TCC and the Consenting Fire Claimant Professionals to potentially resolve all wildfire-related claims arising from the 2015 Butte fire held by individual claimholders.

FEMA, the U.S. Department of the Interior, Cal Fire, the OES and certain other Federal, state and local entities (that are not Supporting Public Entities) have filed proofs of claim in the Chapter 11 Cases in connection with the 2015 Butte fire. Proofs of claim have also been filed for unspecified amounts to be determined at a later time.

PG&E Corporation and the Utility may ask the Bankruptcy Court to disallow claims that they believe are duplicative, have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. See “Potential Claims” in Note 2.

As described above under the heading “Restructuring Support Agreement with the TCC,” under the TCC RSA, all Fire Victim Claims, including claims by government entities that are not Supporting Public Entities (including FEMA and OES/Cal Fire) would be settled and discharged in consideration of the payment of the Aggregate Fire Victim Consideration to the Fire Victim Trust. However, the TCC RSA is an agreement among PG&E Corporation and the Utility, the TCC, the Shareholder Proponents, and the Consenting Fire Claimant Professionals. No government entity (including FEMA and OES/Cal Fire) is party to the TCC RSA. Accordingly, there can be no assurance that such government entities will support the Proposed Plan or the treatment of their Fire Victim Claims in the Chapter 11 Cases as provided in the Proposed Plan.

### **2018 Camp Fire, 2017 Northern California Wildfires and 2015 Butte Fire Accounting Charge**

In light of the current state of the law and the information currently available to the Utility, including the PSAs, the Subrogation RSA and the TCC RSA, PG&E Corporation and the Utility have determined that it is probable they will incur a loss for claims in connection with the 2018 Camp fire and all 21 of the 2017 Northern California wildfires identified above under the heading “2017 Northern California Wildfire Background”, the reasons for which are discussed in more detail in this section below. PG&E Corporation and the Utility recorded a charge in the amount of \$14 billion for the year ended December 31, 2018, a charge in the amount of \$3.9 billion for the three months ended June 30, 2019, and a charge in the amount of \$2.5 billion for the three months ended September 30, 2019. Based on additional facts and circumstances available to the Utility as of the date of this filing, including the entry into the TCC RSA, PG&E Corporation and the Utility recorded an additional charge for claims in connection with the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire in the amount of \$5.0 billion for a total charge of \$11.4 billion for the year ended December 31, 2019.

In the case of the Tubbs fire and the 37 fire, PG&E Corporation and the Utility continue to believe that if the claims related to these fires were litigated on the merits, it would not be probable that they would incur a loss for such claims. As a result of the entry into the PSAs, the Subrogation RSA and the TCC RSA, PG&E Corporation and the Utility have determined that it is probable they will incur a loss for claims in connection with such fires. With respect to the other 19 of the 2017 Northern California wildfires (the La Porte, McCourtney, Lobo, Honey, Redwood, Sulphur, Cherokee, Blue, Pocket, Atlas, Cascade, Point, Nuns, Norrbom, Adobe, Partrick, Pythian, Youngs and Pressley fires), PG&E Corporation and the Utility previously determined that it is probable they would incur a loss for claims in connection with such fires if such claims were litigated on the merits.

The aggregate liability of \$25.5 billion for claims in connection with the 2018 Camp, the 2017 Northern California wildfires and the 2015 Butte fire represents PG&E Corporation's and the Utility's best estimate of probable losses and is subject to change based on additional information. Notwithstanding the entry into the PSAs, the Subrogation RSA and the TCC RSA, there are a number of unknown facts and legal considerations that may impact the amount of any potential liability, including whether any termination events are triggered under these agreements, whether the classification and treatment of claims in the Proposed Plan is successfully challenged by claimholders who are not party to a settlement agreement, how the claims filed by Federal, state and local entities are resolved, whether a plan of reorganization incorporating the terms of those settlements is confirmed and the ongoing criminal investigation with respect to the 2018 Camp fire. (See "Third-Party Claims, Investigations and Other Proceedings Related to the 2018 Camp Fire and 2017 Northern California Wildfires" above for a summary of material termination rights under the PSAs, the Subrogation RSA and the TCC RSA.) Many of these factors are beyond the control of PG&E Corporation and the Utility. If one or more of these settlement agreements is terminated, PG&E Corporation's and the Utility's aggregate liability related to the 2018 Camp fire and 2017 Northern California wildfires (and in certain cases, other pre-petition fires) could substantially exceed \$25.5 billion. In addition, if these agreements were terminated, regardless of the ultimate determination of PG&E Corporation's and the Utility's liability, such termination would be expected to result in additional delay and expense in the Chapter 11 Cases.

Absent settlement agreements, the process for estimating losses associated with claims requires management to exercise significant judgment based on a number of assumptions and subjective factors, including but not limited to the cause of each fire, contributing causes of the fires (including alternative potential origins, weather and climate related issues), the number, size and type of structures damaged or destroyed, the contents of such structures and other personal property damage, the number and types of trees damaged or destroyed, attorneys' fees for claimants, the nature and extent of any personal injuries, including the loss of lives, the extent to which future claims arise, the amount of fire suppression and clean-up costs or other damages the Utility may be responsible for if found negligent or as estimated in the Chapter 11 Cases.

The \$25.5 billion liability does not include any amounts for potential penalties or fines that may be imposed by governmental entities on PG&E Corporation or the Utility, or punitive damages, if any, or any losses related to future claims for damages that have not manifested yet, each of which could be significant. The charge also does not include any amounts for potential losses in connection with the wildfire-related securities class action litigation described below or the amount of any penalties or fines that may be imposed by governmental entities, and the amount of any penalties, fines, or restitution orders that might result from any criminal charges brought. PG&E Corporation and the Utility intend to continue to review the available information and other information as it becomes available. As more information becomes available, management estimates and assumptions regarding the financial impact of the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire may change, which could result in material increases to the loss accrued.

If PG&E Corporation and the Utility were to be found liable for any punitive damages, and such damages were allowed by the Bankruptcy Court, or if PG&E Corporation and the Utility were subject to fines or penalties, the amount of such punitive damages, fines and penalties could be significant. PG&E Corporation and the Utility have received significant fines and penalties in connection with past incidents. For example, in 2015, the CPUC approved a decision that imposed penalties on the Utility totaling \$1.6 billion in connection with the natural gas explosion that occurred in the City of San Bruno, California on September 9, 2010 (the "San Bruno explosion"). These penalties represented nearly three times the underlying liability for the San Bruno explosion of approximately \$558 million incurred for third-party claims, exclusive of shareholder derivative lawsuits and legal costs incurred. The amount of punitive damages, fines and penalties imposed on PG&E Corporation and the Utility could likewise be a significant amount in relation to the underlying liabilities with respect to the 2018 Camp fire and 2017 Northern California wildfires. PG&E Corporation's and the Utility's obligations with respect to such claims are expected to be determined through the Chapter 11 process. Regulatory proceedings are not subject to the automatic stay imposed as a result of the commencement of the Chapter 11 Cases; however, collection efforts in connection with fines or penalties arising out of such proceedings are stayed.

## 2019 Kincade Fire

According to Cal Fire, on October 23, 2019 at approximately 9:27 p.m., a wildfire began northeast of Geyserville in Sonoma County, California (the “2019 Kincade fire”), located in the service territory of the Utility. The Cal Fire Kincade Fire Incident Update dated November 20, 2019, 11:02 a.m. Pacific Time (the “incident update”) indicated that the 2019 Kincade fire had consumed 77,758 acres. In the incident update, Cal Fire reported no fatalities and four first responder injuries. The incident update also indicates the following: structures destroyed, 374 (consisting of 174 residential structures, 11 commercial structures and 189 other structures); and structures damaged, 60 (consisting of 35 residential structures, one commercial structure and 24 other structures). In connection with the 2019 Kincade fire, state and local officials issued numerous mandatory evacuation orders and evacuation warnings at various times for certain areas of the region. Based on County of Sonoma information, PG&E Corporation and the Utility understand that the geographic zones subject to either a mandatory evacuation order or an evacuation warning between October 23, 2019 and November 4, 2019 included approximately 200,000 persons.

On October 23, 2019, by 3:00 p.m. Pacific Time, the Utility had conducted a PSPS event and turned off the power to approximately 27,837 customers in Sonoma County, including Geyserville and the surrounding area. As part of the PSPS, the Utility’s distribution lines in these areas were deenergized. Following the Utility’s established and CPUC-approved PSPS protocols and procedures, transmission lines in these areas remained energized.

The Utility has submitted electric incident reports to the CPUC indicating that:

- at approximately 9:19 p.m. Pacific Time on October 23, 2019, the Utility became aware of a transmission level outage on the Geysers #9 Lakeville 230 kV line when the line relayed and did not reclose;
- various generating facilities on the Geysers #9 Lakeville 230kV line detected the disturbance and separated at approximately the same time;
- at approximately 9:21 p.m. Pacific Time, the PG&E Grid Control Center received a report that a fire had started in an area near transmission tower 001/006;
- at approximately 7:30 a.m. Pacific Time on October 24, 2019, a responding Utility troubleman patrolling the Geysers #9 Lakeville 230 kV line observed that Cal Fire had taped off the area around the base of transmission tower 001/006 in the area of the 2019 Kincade fire; and
- on site Cal Fire personnel brought to the troubleman’s attention what appeared to be a broken jumper on the same tower.

The cause of the 2019 Kincade fire is under investigation by Cal Fire and the CPUC, and PG&E Corporation and the Utility are cooperating with their investigations. PG&E Corporation and the Utility are also conducting their own investigation into the cause of the 2019 Kincade fire. This investigation is preliminary, and PG&E Corporation and the Utility do not have access to all of the evidence in the possession of Cal Fire or other third parties.

Based on the facts and circumstances available to PG&E Corporation and the Utility as of the date of this filing, including the information contained in the electric incident report and other information gathered as part of PG&E Corporation’s and the Utility’s investigation, PG&E Corporation and the Utility believe it is reasonably possible that they will incur a loss in connection with the 2019 Kincade fire. However, due to the preliminary stages of the investigations, lack of access to potentially relevant evidence and the uncertainty as to the cause of the fire and the extent and magnitude of potential damages, PG&E Corporation and the Utility cannot reasonably estimate the amount or range of such possible loss.

While the cause of the 2019 Kincade fire remains under Cal Fire’s investigation and there are a number of unknown facts surrounding the cause of the 2019 Kincade fire, the Utility could be subject to significant liability in excess of insurance coverage that would be expected to have a material impact on PG&E Corporation’s and the Utility’s financial condition, results of operations, liquidity, and cash flows, as well as on the bankruptcy timing and process and the ability of the Utility to participate in the Wildfire Fund. PG&E Corporation and the Utility have received and are responding to data requests from the CPUC’s SED relating to the Kincade fire. Various other entities, including law enforcement agencies, may also be investigating the fire. It is uncertain when the investigations will be complete.

## Loss Recoveries

PG&E Corporation and the Utility had insurance coverage for liabilities, including wildfire. Additionally, there are several mechanisms that allow for recovery of costs from customers. Potential for recovery is described below. Failure to obtain a substantial or full recovery of costs related to the 2018 Camp fire and 2017 Northern California wildfires or any conclusion that such recovery is no longer probable could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows. In addition, the inability to recover costs in a timely manner could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

The Utility has liability insurance from various insurers that provides coverage for third-party liability attributable to the 2015 Butte fire in an aggregate amount of \$922 million. The Utility records insurance recoveries when it is deemed probable that a recovery will occur and the Utility can reasonably estimate the amount or its range. Through December 31, 2019, the Utility recorded \$922 million for probable insurance recoveries in connection with losses related to the 2015 Butte fire. While the Utility plans to seek recovery of all insured losses, it is unable to predict the ultimate amount and timing of such insurance recoveries. In addition, the Utility has received \$60 million in cumulative reimbursements from the insurance policies of its vegetation management contractors. Recoveries of additional amounts under the insurance policies of the Utility's vegetation management contractors, including policies where the Utility is listed as an additional insured, are uncertain.

The balance for the insurance receivable is included in Other accounts receivable in PG&E Corporation's and the Utility's Consolidated Balance Sheets and was \$50 million and \$85 million as of December 31, 2019 and December 31, 2018, respectively, reflecting reimbursements of \$35 million during the year ended December 31, 2019.

## Insurance

In 2018, PG&E Corporation and the Utility renewed their liability insurance coverage for wildfire events in an aggregate amount of approximately \$1.4 billion for the period from August 1, 2018 through July 31, 2019, comprised of \$700 million for general liability (subject to an initial self-insured retention of \$10 million per occurrence), and \$700 million for property damages only, which property damage coverage includes an aggregate amount of approximately \$200 million through the reinsurance market where a catastrophe bond was utilized. In 2019, PG&E Corporation and the Utility had liability insurance coverage for wildfire events in an amount of \$430 million (subject to an initial self-insured retention of \$10 million per occurrence) for the period from August 1, 2019 through July 31, 2020, and approximately \$1 billion in liability insurance coverage for non-wildfire events (subject to an initial self-insured retention of \$10 million per occurrence), comprised of \$520 million for the period from August 1, 2019 through July 31, 2020 and \$480 million for the period from September 3, 2019 through September 2, 2020. PG&E Corporation and the Utility continue to pursue additional insurance coverage. Various coverage limitations applicable to different insurance layers could result in uninsured costs in the future depending on the amount and type of damages resulting from covered events.

PG&E Corporation and the Utility record a receivable for insurance recoveries when it is deemed probable that recovery of a recorded loss will occur. Through December 31, 2019, PG&E Corporation and the Utility recorded \$1.38 billion for probable insurance recoveries in connection with the 2018 Camp fire and \$843 million for probable insurance recoveries in connection with the 2017 Northern California wildfires. These amounts reflect an assumption that the cause of each fire is deemed to be a separate occurrence under the insurance policies. PG&E Corporation and the Utility intend to seek full recovery for all insured losses.

If PG&E Corporation and the Utility are unable to recover the full amount of their insurance, PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows could be materially affected. Even if PG&E Corporation and the Utility were to recover the full amount of their insurance, PG&E Corporation and the Utility expect their losses in connection with the 2018 Camp fire and the 2017 Northern California wildfires will substantially exceed their available insurance.

The balances for insurance receivables with respect to the 2018 Camp fire and the 2017 Northern California wildfires are included in Other accounts receivable in PG&E Corporation's and the Utility's Consolidated Balance Sheets. The balance for insurance receivable for the 2018 Camp fire was \$1.38 billion as of December 31, 2019 and December 31, 2018. The balance for insurance receivable for the 2017 Northern California wildfires was \$807 million and \$829 million as of December 31, 2019 and December 31, 2018, respectively.

## **Regulatory Recovery**

On June 21, 2018, the CPUC issued a decision granting the Utility's request to establish a WEMA to track specific incremental wildfire liability costs effective as of July 26, 2017. The decision does not grant the Utility rate recovery of any wildfire-related costs. Any such rate recovery would require CPUC authorization in a separate proceeding. The Utility may be unable to fully recover costs in excess of insurance, if at all. Rate recovery is uncertain; therefore, the Utility has not recorded a regulatory asset related to any wildfire claims costs. Even if such recovery is possible, it could take a number of years to resolve and a number of years to collect.

In addition, SB 901, signed into law on September 21, 2018, requires the CPUC to establish a CHT, directing the CPUC to limit certain disallowances in the aggregate, so that they do not exceed the maximum amount that the Utility can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service. SB 901 also authorizes the CPUC to issue a financing order that permits recovery, through the issuance of recovery bonds (also referred to as "securitization"), of wildfire-related costs found to be just and reasonable by the CPUC and, only for the 2017 Northern California wildfires, any amounts in excess of the CHT. SB 901 does not authorize securitization with respect to possible 2018 Camp fire costs.

On January 10, 2019, the CPUC adopted an OIR, which establishes a process to develop criteria and a methodology to inform determinations of the CHT in future applications under Section 451.2(a) of the Public Utilities Code for recovery of costs related to the 2017 Northern California wildfires.

On March 29, 2019, the assigned commissioner issued a scoping memo, which confirmed that the CPUC in this proceeding would establish a CHT methodology applicable only to 2017 fires, to be invoked in connection with a future application for cost recovery and would not determine a specific financial outcome in this proceeding.

On July 8, 2019, the CPUC issued a decision in the CHT proceeding. The CPUC decision provides that "[a]n electrical corporation that has filed for relief under chapter 11 of the Bankruptcy Code may not access the Stress Test to recover costs in an application under Section 451.2(b), because the Commission cannot determine the corporation's 'financial status,' which includes, among other considerations, its capital structure, liquidity needs, and liabilities, as required by Section 451.2(b)." This determination effectively bars PG&E Corporation and the Utility from access to relief under the CHT during the pendency of the Chapter 11 Cases. On August 7, 2019, the Utility submitted to the CPUC an application for rehearing of the decision. The Utility indicated in its application, among other things, that the CPUC's decision "is contrary to law because it bars a utility that has filed for Chapter 11 from accessing the CHT, requires a utility to file a cost recovery application before the CHT will be determined, and erects ratepayer protection mechanisms as an extra-statutory hurdle for accessing the CHT." The Utility also argued that the CPUC should apply the CHT methodology to costs related to the 2018 Camp fire.

The decision otherwise adopts a methodology to determine the CHT based on (1) the maximum additional debt that a utility can take on and maintain a minimum investment grade credit rating; (2) excess cash available to the utility; (3) a potential maximum regulatory adjustment of either 20% of the CHT or 5% of the total disallowed wildfire liabilities, whichever is greater; and (4) an adjustment to preserve for ratepayers any tax benefits associated with the CHT. The decision also requires a utility to include proposed ratepayer protection measures to mitigate harm to ratepayers as part of an application under Section 451.2(b).

Failure to obtain a substantial or full recovery of costs related to wildfires could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity and cash flows.

## **Wildfire-Related Derivative Litigation**

Two purported derivative lawsuits alleging claims for breach of fiduciary duties and unjust enrichment were filed in the San Francisco County Superior Court on November 16, 2017 and November 20, 2017, respectively, naming as defendants current and certain former members of the Board of Directors and certain current and former officers of PG&E Corporation and the Utility. PG&E Corporation and the Utility are named as nominal defendants. These lawsuits were consolidated by the court on February 14, 2018, and are denominated *In Re California North Bay Fire Derivative Litigation*. On April 13, 2018, the plaintiffs filed a consolidated complaint. After the parties reached an agreement regarding a stay of the derivative proceeding pending resolution of the tort actions described above and any regulatory proceeding relating to the 2017 Northern California wildfires, on April 24, 2018, the court entered a stipulation and order to stay. The stay is subject to certain conditions regarding the plaintiffs' access to discovery in other actions. On January 28, 2019, the plaintiffs filed a request to lift the stay for the purposes of amending their complaint to add allegations regarding the 2018 Camp fire.

On August 3, 2018, a third purported derivative lawsuit, entitled *Oklahoma Firefighters Pension and Retirement System v. Chew, et al.*, was filed in the U.S. District Court for the Northern District of California, naming as defendants certain current and former members of the Board of Directors and certain current and former officers of PG&E Corporation and the Utility. PG&E Corporation is named as a nominal defendant. The lawsuit alleges claims for breach of fiduciary duties and unjust enrichment as well as a claim under Section 14(a) of the federal Securities Exchange Act of 1934 alleging that PG&E Corporation's and the Utility's 2017 proxy statement contained misrepresentations regarding the companies' risk management and safety programs. On October 15, 2018, PG&E Corporation filed a motion to stay the litigation. Prior to the scheduled hearing on this motion, this matter was automatically stayed by PG&E Corporation's and the Utility's commencement of bankruptcy proceedings, as discussed below.

On October 23, 2018, a fourth purported derivative lawsuit, entitled *City of Warren Police and Fire Retirement System v. Chew, et al.*, was filed in San Francisco County Superior Court, alleging claims for breach of fiduciary duty, corporate waste and unjust enrichment. It names as defendants certain current and former members of the Board of Directors and certain current and former officers of PG&E Corporation, and names PG&E Corporation as a nominal defendant. The plaintiff filed a request with the court seeking the voluntary dismissal of this matter without prejudice on January 18, 2019.

On November 21, 2018, a fifth purported derivative lawsuit, entitled *Williams v. Earley, Jr., et al.*, was filed in federal court in San Francisco, alleging claims identical to those alleged in the *Oklahoma Firefighters Pension and Retirement System v. Chew, et al.* lawsuit listed above against certain current and former officers and directors, and naming PG&E Corporation and the Utility as nominal defendants. This lawsuit includes allegations related to the 2017 Northern California wildfires and the 2018 Camp fire. This action was stayed by stipulation of the parties and order of the court on December 21, 2018, subject to resolution of the pending securities class action.

On December 24, 2018, a sixth purported derivative lawsuit, entitled *Bowlinger v. Chew, et al.*, was filed in San Francisco Superior Court, alleging claims for breach of fiduciary duty, abuse of control, corporate waste, and unjust enrichment in connection with the 2018 Camp fire against certain current and former officers and directors, and naming PG&E Corporation and the Utility as nominal defendants. On February 5, 2019, the plaintiff in *Bowlinger v. Chew, et al.* filed a response to the notice asserting that the automatic stay did not apply to his claims. PG&E Corporation and the Utility accordingly filed a Motion to Enforce the Automatic Stay with the Bankruptcy Court as to the *Bowlinger* action, which was granted. The court has scheduled a case management conference for July 10, 2020.

On January 25, 2019, a seventh purported derivative lawsuit, entitled *Hagberg v. Chew, et al.*, was filed in San Francisco Superior Court, alleging claims for breach of fiduciary duty, abuse of control, corporate waste, and unjust enrichment in connection with the 2018 Camp fire against certain current and former officers and directors, and naming PG&E Corporation and the Utility as nominal defendants.

On January 28, 2019, an eighth purported derivative lawsuit, entitled *Blackburn v. Meserve, et al.*, was filed in federal court alleging claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets in connection with the 2017 Northern California wildfires and the 2018 Camp fire against certain current and former officers and directors, and naming PG&E Corporation as a nominal defendant.

Due to the commencement of the Chapter 11 Cases, PG&E Corporation and the Utility filed notices in each of these proceedings on February 1, 2019, reflecting that the proceedings are automatically stayed pursuant to Section 362(a) of the Bankruptcy Code. PG&E Corporation's and the Utility's rights with respect to the derivative claims asserted against former officers and directors of PG&E Corporation and the Utility were assigned to the Fire Victim Trust under the TCC RSA.



## Securities Class Action Litigation

### *Wildfire-Related Class Action*

In June 2018, two purported securities class actions were filed in the United States District Court for the Northern District of California, naming PG&E Corporation and certain of its current and former officers as defendants, entitled *David C. Weston v. PG&E Corporation, et al.* and *Jon Paul Moretti v. PG&E Corporation, et al.*, respectively. The complaints alleged material misrepresentations and omissions related to, among other things, vegetation management and transmission line safety in various PG&E Corporation public disclosures. The complaints asserted claims under Section 10(b) and Section 20(a) of the federal Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and sought unspecified monetary relief, interest, attorneys' fees and other costs. Both complaints identified a proposed class period of April 29, 2015 to June 8, 2018. On September 10, 2018, the court consolidated both cases and the litigation is now denominated *In re PG&E Corporation Securities Litigation*. The court also appointed the Public Employees Retirement Association of New Mexico as lead plaintiff. The plaintiff filed a consolidated amended complaint on November 9, 2018. After the plaintiff requested leave to amend their complaint to add allegations regarding the 2018 Camp fire, the plaintiff filed a second amended consolidated complaint on December 14, 2018.

Due to the commencement of the Chapter 11 Cases, PG&E Corporation and the Utility filed a notice on February 1, 2019, reflecting that the proceedings are automatically stayed pursuant to Section 362(a) of the Bankruptcy Code. On February 15, 2019, PG&E Corporation and the Utility filed a complaint in Bankruptcy Court against the plaintiff seeking preliminary and permanent injunctive relief to extend the stay to the claims alleged against the individual officer defendants.

On February 22, 2019, a purported securities class action was filed in the United States District Court for the Northern District of California, entitled *York County on behalf of the York County Retirement Fund, et al. v. Rambo, et al.* (the "York County Action"). The complaint names as defendants certain current and former officers and directors, as well as the underwriters of four public offerings of notes from 2016 to 2018. Neither PG&E Corporation nor the Utility is named as a defendant. The complaint alleges material misrepresentations and omissions in connection with the note offerings related to, among other things, PG&E Corporation's and the Utility's vegetation management and wildfire safety measures. The complaint asserts claims under Section 11 and Section 15 of the Securities Act of 1933, and seeks unspecified monetary relief, attorneys' fees and other costs, and injunctive relief. On May 7, 2019, the York County Action was consolidated with *In re PG&E Corporation Securities Litigation*.

On May 28, 2019, the plaintiffs in the consolidated securities actions filed a third amended consolidated class action complaint, which includes the claims asserted in the previously-filed actions and names as defendants PG&E Corporation, the Utility, certain current and former officers and directors, and the underwriters. The action remains stayed as to PG&E Corporation and the Utility. On August 28, 2019, the Bankruptcy Court denied PG&E Corporation's and the Utility's request to extend the stay to the claims against the officer, director, and underwriter defendants. On October 4, 2019, the officer, director, and underwriter defendants filed motions to dismiss the third amended complaint, which motions are currently under submission with the District Court.

### *De-energization Class Action*

On October 25, 2019, a purported securities class action was filed in the United States District Court for the Northern District of California, entitled *Vataj v. Johnson et al.* The complaint names as defendants a current director and certain current and former officers of PG&E Corporation. Neither PG&E Corporation nor the Utility is named as a defendant. The complaint alleges materially false and misleading statements regarding PG&E Corporation's wildfire prevention and safety protocols and policies, including regarding the Utility's public safety power shutoffs, that allegedly resulted in losses and damages to holders of PG&E Corporation's securities. The complaint asserts claims under Section 10(b) and Section 20(a) of, and Rule 10b-5 promulgated under, the Exchange Act of 1934, and seeks unspecified monetary relief, attorneys' fees and other costs. On February 3, 2020, the District Court granted a stipulation appointing Iron Workers Local 580 Joint Funds, Ironworkers Locals 40,361 & 417 Union Security Funds and Robert Allustiarti co-lead plaintiffs and approving the selection of the plaintiffs' counsel, and further ordered the parties to submit a proposed schedule by February 13, 2020. On February 11, 2020, the parties submitted a proposed case schedule.

Given the early stages of the litigations, including but not limited to the fact that defendants' motions to dismiss have not yet been heard and no discovery has occurred in the consolidated class action litigation, and that the de-energization class action was recently filed, PG&E Corporation and the Utility are unable to reasonably estimate the amount of any potential loss.

### ***Indemnification Obligations***

To the extent permitted by law, PG&E Corporation and the Utility have obligations to indemnify directors and officers for certain events or occurrences while a director or officer is or was serving in such capacity, which indemnification obligations extend to the claims asserted against the directors and officers in the securities class action. PG&E Corporation and the Utility maintain directors and officers insurance coverage to reduce their exposure to such indemnification obligations. PG&E Corporation and the Utility have provided notice to their insurance carriers of the claims asserted in the wildfire-related securities class actions and derivative litigation, and are in communication with the carriers regarding the applicability of the directors and officers insurance policies to those matters. PG&E Corporation and the Utility additionally have potential indemnification obligations to the underwriters for the Utility's note offerings, pursuant to the underwriting agreements associated with those offerings. PG&E Corporation's and the Utility's indemnification obligations to the officers, directors and underwriters may be limited or affected by the Chapter 11 Cases.

### **District Attorneys' Offices' Investigations**

During the second quarter of 2018, Cal Fire issued news releases stating that it referred the investigations related to the McCourtney, Lobo, Honey, Sulphur, Blue, Norrbom, Adobe, Partrick, Pythian, Pocket and Atlas fires to the appropriate county District Attorney's offices for review "due to evidence of alleged violations of state law." On March 12, 2019, the Sonoma, Napa, Humboldt and Lake County District Attorneys announced that they would not prosecute PG&E Corporation or the Utility for the fires in those counties, which include the Sulphur, Blue, Norrbom, Adobe, Partrick, Pythian, Pocket and Atlas fires.

PG&E Corporation and the Utility were the subject of criminal investigations by the Nevada County District Attorney's Office to whom Cal Fire had referred its investigations into the McCourtney and Lobo fires. On July 23, 2019, the Nevada County District Attorney informed PG&E Corporation and the Utility of his decision not to pursue criminal charges in connection with the McCourtney and Lobo fires.

The Honey fire was referred to the Butte County District Attorney's Office, and in October 2018, the Utility reached an agreement to settle any civil claims or criminal charges that could have been brought by the Butte County District Attorney in connection with the Honey fire, as well as the La Porte and Cherokee fires (which Cal Fire did not refer to the Butte County District Attorney for investigation). The settlement provides for funding by the Utility in the amount of up to \$1.5 million, not recoverable in rates, for fire prevention work.

On October 9, 2018, the Office of the District Attorney of Yuba County announced its decision not to pursue criminal charges at such time against PG&E Corporation or the Utility pertaining to the Cascade fire. The District Attorney's Office also indicated that it reserved the right "to review any additional information or evidence that may be submitted to it prior to the expiration of the criminal statute of limitations."

In addition, the Butte County District Attorney's Office and the California Attorney General's Office have opened a criminal investigation of the 2018 Camp fire. PG&E Corporation and the Utility have been informed by the Butte County District Attorney's Office and the California Attorney General's Office that a grand jury has been empaneled in Butte County, and the Utility was served with subpoenas in the grand jury investigation. The Utility has produced documents and continues to produce documents and respond to other requests for information and witness testimony in connection with the criminal investigation of the 2018 Camp fire, including, but not limited to, documents related to the operation and maintenance of equipment owned or operated by the Utility. The Utility has also cooperated with the Butte County District Attorney's Office and the California Attorney General's Office in the collection of physical evidence from equipment owned or operated by the Utility. PG&E Corporation and the Utility are unable to predict the timing and outcome of the criminal investigation into the 2018 Camp fire. The Utility could be subject to material fines, penalties, or restitution orders if it is determined that the Utility failed to comply with applicable laws and regulations, as well as non-monetary remedies such as oversight requirements. The criminal investigation is not subject to the automatic stay imposed as a result of the commencement of the Chapter 11 Cases. On October 17, 2019, the Butte County District Attorney's Office and the California Attorney General's Office filed proofs of claim in the Chapter 11 Cases of an undetermined amount on the basis of the criminal investigation of the 2018 Camp fire.

Additional investigations and other actions may arise out of the other 2017 Northern California wildfires and the 2018 Camp fire. The timing and outcome for resolution of the remaining referrals by Cal Fire to the appropriate county District Attorneys' offices are uncertain.

## **SEC Investigation**

On March 20, 2019, PG&E Corporation learned that the SEC's San Francisco Regional Office is conducting an investigation related to PG&E Corporation's and the Utility's public disclosures and accounting for losses associated with the 2018 Camp fire, the 2017 Northern California wildfires and the 2015 Butte fire. PG&E Corporation and the Utility are unable to predict the timing and outcome of the investigation.

## **Clean-up and Repair Costs**

The Utility incurred costs of \$772 million for clean-up and repair of the Utility's facilities (including \$323 million in capital expenditures) through December 31, 2019, in connection with the 2018 Camp fire. The Utility also incurred costs of \$357 million for clean-up and repair of the Utility's facilities (including \$180 million in capital expenditures) through December 31, 2019, in connection with the 2017 Northern California wildfires. The Utility is authorized to track and seek recovery of clean-up and repair costs through CEMA. (CEMA requests are subject to CPUC approval.) The Utility capitalizes and records as regulatory assets costs that are probable of recovery. At December 31, 2019, the CEMA regulatory asset balances related to the 2018 Camp fire and 2017 Northern California wildfires were zero and \$69 million, respectively, and are included in long-term regulatory assets on the Consolidated Balance Sheets. Additionally, the capital expenditures for clean-up and repair are included in property, plant and equipment on the Consolidated Balance Sheets at December 31, 2019.

Should PG&E Corporation and the Utility conclude that recovery of any clean-up and repair costs included in the CEMA is no longer probable, PG&E Corporation and the Utility will record a charge in the period such conclusion is reached. Failure to obtain a substantial or full recovery of these costs could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

## **Wildfire Assistance Fund**

On May 24, 2019, the Bankruptcy Court entered an order authorizing PG&E Corporation and the Utility to establish and fund a program (the "Wildfire Assistance Fund") to assist those displaced by the 2018 Camp fire and 2017 Northern California wildfires with the costs of substitute or temporary housing and other urgent needs. The Utility fully funded \$105 million into the Wildfire Assistance Fund on August 2, 2019. As of December 31, 2019, the administrator issued claimant payments totaling \$64 million under the Wildfire Assistance Fund.

## **Wildfire Fund under AB 1054**

On July 12, 2019, the California Governor signed into law AB 1054, a bill which provides for the establishment of a statewide fund that will be available for eligible electric utility companies to pay eligible claims for liabilities arising from wildfires occurring after July 12, 2019 that are caused by the applicable electric utility company's equipment, subject to the terms and conditions of AB 1054. Eligible claims are claims for third party damages resulting from any such wildfires, limited to the portion of such claims that exceeds the greater of (i) \$1 billion in the aggregate in any calendar year and (ii) the amount of insurance coverage required to be in place for the electric utility company pursuant to Section 3293 of the Public Utilities Code, added by AB 1054.

Electric utility companies that draw from the fund will only be required to repay amounts that are determined by the CPUC in an application for cost recovery not to be just and reasonable, subject to a rolling three-year disallowance cap equal to 20% of the electric utility company's transmission and distribution equity rate base. For the Utility, this disallowance cap is expected to be approximately \$2.3 billion for the three-year period starting in 2019, subject to adjustment based on changes in the Utility's total transmission and distribution equity rate base. The disallowance cap is inapplicable in certain circumstances, including if the Wildfire Fund administrator determines that the electric utility company's actions or inactions that resulted in the applicable wildfire constituted "conscious or willful disregard for the rights and safety of others," or the electric utility company fails to maintain a valid safety certification. Costs that the CPUC determines to be just and reasonable will not need to be repaid to the fund, resulting in a draw-down of the fund.

The Wildfire Fund and disallowance cap will be terminated when the amounts therein are exhausted. The Wildfire Fund is expected to be capitalized with (i) \$10.5 billion of proceeds of bonds supported by a 15-year extension of the Department of Water Resources charge to ratepayers, (ii) \$7.5 billion in initial contributions from California's three investor-owned electric utility companies and (iii) \$300 million in annual contributions paid by California's three investor-owned electric utility companies. The contributions from the investor-owned electric utility companies will be effectively borne by their respective shareholders, as they will not be permitted to recover these costs from ratepayers. The costs of the initial and annual contributions are allocated among the three investor-owned electric utility companies pursuant to a "Wildfire Fund allocation metric" set forth in AB 1054 based on land area in the applicable utility's service territory classified as high fire threat districts and adjusted to account for risk mitigation efforts. The Utility's initial Wildfire Fund allocation metric is expected to be 64.2% (representing an initial contribution of approximately \$4.8 billion and annual contributions of approximately \$193 million). In addition, all initial and annual contributions will be excluded from the measurement of the Utility's authorized capital structure. The Wildfire Fund will only be available for payment of eligible claims so long as there are sufficient funds remaining in the Wildfire Fund. Such funds could be depleted more quickly than expected, including as a result of claims made by California's other participating electric utility companies.

AB 1054 also provides that the first \$5.0 billion expended in the aggregate by California's three investor-owned electric utility companies on fire risk mitigation capital expenditures included in their respective approved wildfire mitigation plans will be excluded from their respective equity rate bases. The \$5.0 billion of capital expenditures will be allocated among the investor-owned electric utility companies in accordance with their Wildfire Fund allocation metrics (described above). AB 1054 contemplates that such capital expenditures may be securitized through a customer charge.

On July 23, 2019, the Utility notified the CPUC of its intent to participate in the Wildfire Fund. On August 7, 2019, PG&E Corporation and the Utility submitted a motion with the Bankruptcy Court for the entry of an order authorizing PG&E Corporation and the Utility to participate in the Wildfire Fund and to make any initial and annual contributions to the Wildfire Fund upon emergence from Chapter 11. On August 26, 2019, the Bankruptcy Court entered an order granting such authorizations. In order to participate in the Wildfire Fund, the Utility must also meet the eligibility and other requirements set forth in AB 1054, and pay its share of the initial contribution to the Wildfire Fund upon emergence from Chapter 11. In such event (assuming the Utility satisfies the eligibility and other requirements set forth in AB 1054), the Wildfire Fund will be available to the Utility to pay for eligible claims arising between the effective date of AB 1054 and the Utility's emergence from Chapter 11, subject to a limit of 40% of the amount of such claims. The balance of any such claims would need to be addressed through the Chapter 11 Cases.

The Utility expects to record its required contributions as an asset and amortize the asset over the estimated life of the Wildfire Fund. The Wildfire Fund asset will be further adjusted for impairment as the assets are used to pay eligible claims, which will result in decreases to the assets available for coverage of future events. AB 1054 does not establish a definite term of the Wildfire Fund; therefore, this accounting treatment is subject to significant judgments and estimates. The assumptions create a high degree of uncertainty related to the estimated useful life of the Wildfire Fund. The most significant assumption is the number and severity of catastrophic fires that could occur in California within the participating electric utilities' service territories during the term of the Wildfire Fund. The Utility intends to utilize historical, publicly available fire-loss data as a starting point; however, future fire-loss can be difficult to estimate due to uncertainties around the impacts of climate change, land use changes, and mitigation efforts by the California electric utility companies. Other assumptions include the estimated cost of wildfires caused by other electric utilities, the amount at which wildfire claims will be settled, the likely adjudication of the CPUC in cases of electric utility-caused wildfires, the level of future insurance coverage held by the electric utilities, and the future transmission and distribution equity rate base growth of other electric utilities. Significant changes in any of these estimates could materially impact the amortization period. There could also be a significant delay between the occurrence of a wildfire and the timing of which the Utility recognizes impairment for the reduction in future coverage, due to the lack of data available to the Utility following a catastrophic event, especially if the wildfire occurs in the service territory of another electric utility. As of December 31, 2019, the Utility has not reflected the required contributions in its Consolidated Financial Statements as it has not yet satisfied all of the Wildfire Fund eligibility criteria pursuant to AB 1054.

In order to participate in the Wildfire Fund, within 60 days of the effective date of AB 1054, the Utility must obtain the Bankruptcy Court's approval of the Utility's election to pay the initial and annual Wildfire Fund contributions upon emergence from Chapter 11, which approval was granted by the Bankruptcy Court on August 26, 2019. The Utility would then be required to pay its share of the initial contribution to the Wildfire Fund upon emergence from Chapter 11, and meet certain eligibility requirements listed below, in order to participate in the Wildfire Fund. In such event (assuming the Utility satisfies the eligibility and other requirements set forth in AB 1054), the Wildfire Fund will be available to the Utility to pay for eligible claims arising between the effective date of AB 1054 and the Utility's emergence from Chapter 11, subject to a limit of 40% of the amount of such claims. The balance of any such claims would need to be addressed through the Chapter 11 Cases. There are several additional eligibility requirements for the Utility, including that by June 30, 2020, the following conditions are satisfied:

- the Utility's Chapter 11 Case has been resolved pursuant to a plan of reorganization or similar document not subject to a stay;
- the Bankruptcy Court has determined that the resolution of the Utility's Chapter 11 Case provides funding or otherwise provides for the satisfaction of any pre-petition wildfire claims asserted against the Utility in the Chapter 11 Case, in the amounts agreed upon in any settlement agreements, authorized by the Bankruptcy Court through an estimation process or otherwise allowed by the Bankruptcy Court;
- the CPUC has approved the Utility's plan of reorganization and other documents resolving its Chapter 11 Case, including the Utility's resulting governance structure as being acceptable in light of the Utility's safety history, criminal probation, recent financial condition and other factors deemed relevant by the CPUC;
- the CPUC has determined that the Utility's plan of reorganization and other documents resolving its Chapter 11 Case are (i) consistent with California's climate goals as required pursuant to the California Renewables Portfolio Standard Program and related procurement requirements and (ii) neutral, on average, to the Utility's ratepayers; and
- the CPUC has determined that the Utility's plan of reorganization and other documents resolving its Chapter 11 Case recognize the contributions of ratepayers, if any, and compensate them accordingly through mechanisms approved by the CPUC, which may include sharing of value appreciation.

#### **NOTE 15: OTHER CONTINGENCIES AND COMMITMENTS**

PG&E Corporation and the Utility have significant contingencies arising from their operations, including contingencies related to enforcement and litigation matters and environmental remediation. A provision for a loss contingency is recorded when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. PG&E Corporation and the Utility evaluate the range of reasonably estimated losses and record a provision based on the lower end of the range, unless an amount within the range is a better estimate than any other amount. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involves a series of complex judgments about future events. Loss contingencies are reviewed quarterly and estimates are adjusted to reflect the impact of all known information, such as negotiations, discovery, settlements and payments, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. PG&E Corporation's and the Utility's policy is to exclude anticipated legal costs from the provision for loss and expense these costs as incurred. The Utility also has substantial financial commitments in connection with agreements entered into to support its operating activities. See "Purchase Commitments" below. PG&E Corporation has financial commitments described in "Other Commitments" below. PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows may be materially affected by the outcome of the following matters.

#### **Enforcement Matters**

##### ***U.S. District Court Matters and Probation***

In connection with the Utility's probation proceeding, the United States District Court for the Northern District of California has the ability to impose additional probation conditions on the Utility. Additional conditions, if implemented, could be wide-ranging and would impact the Utility's operations, number of employees, costs and financial performance. Depending on the terms of these additional requirements, costs in connections with such requirements could have a material effect on PG&E Corporation's and the Utility's financial condition, results of operations, liquidity, and cash flows.

## CPUC and FERC Matters

### *Order Instituting Investigation into the 2017 Northern California Wildfires and the 2018 Camp Fire*

On June 27, 2019, the CPUC issued an OII (the “Wildfires OII”) to determine whether the Utility “violated any provision(s) of the California Public Utilities Code (PU Code), Commission General Orders (GO) or decisions, or other applicable rules or requirements pertaining to the maintenance and operation of its electric facilities that were involved in igniting fires in its service territory in 2017.” On December 5, 2019, the assigned commissioner issued a second amended scoping memo and ruling that amended the scope of issues to be considered in this proceeding to include the 2018 Camp Fire.

On December 17, 2019, the Utility, the SED of the CPUC, the CPUC's Office of the Safety Advocate, and CUE jointly submitted to the CPUC a proposed settlement agreement in connection with this proceeding and jointly moved for its approval.

In January 2020, several parties that are not part of the settlement agreement, including TURN, The City and County of San Francisco, Thomas Del Monte, the Wild Tree Foundation, and the CPUC’s Public Advocates Office, have filed public comments seeking modifications to the settlement agreement. Among other comments, TURN, Cal Advocates, and Del Monte assert that the \$1.675 billion in financial obligations imposed on the Utility under the proposed settlement agreement are insufficient and propose additional potential penalties that should be imposed on the Utility. The assigned administrative law judge and/or the assigned commissioner overseeing the proceeding will review the proposed settlement and comments, and may set a hearing, before a final CPUC decision is issued.

Pursuant to the settlement agreement, the Utility agrees to (i) not seek rate recovery of wildfire-related expenses and capital expenditures in future applications in the amount of \$1.625 billion, as specified below, and (ii) incur costs of \$50 million in shareholder-funded system enhancement initiatives as described further in the settlement agreement. The settlement agreement stipulates that no violations have been identified in the Tubbs fire. As a result of this finding, the settlement agreement does not prevent the Utility from seeking recovery of costs associated with the Tubbs fire through rates. The amounts set forth in the table below include actual recorded costs and forecasted cost estimates for expenses and capital expenditures which the Utility has incurred or will incur to comply with its legal obligations to provide safe and reliable service.

(in millions)

Description <sup>(1)</sup>	Expense	Capital	Total
Distribution Safety Inspections and Repairs Expense (FRMMA/WMPMA) <sup>(2)</sup>	\$ 236	\$ —	\$ 236
Transmission Safety Inspections and Repairs Expense (TO) <sup>(3)</sup>	433	—	433
Vegetation Management Support Costs (FHPMA)	36	—	36
2017 Northern California Wildfires CEMA Expense and Capital (CEMA)	82	66	148
2018 Camp Fire CEMA Expense (CEMA)	435	—	435
2018 Camp Fire CEMA Capital for Restoration (CEMA)	—	253	253
2018 Camp Fire CEMA Capital for Temporary Facilities (CEMA) <sup>(4)</sup>	—	84	84
<b>Total</b>	<b>\$ 1,222</b>	<b>\$ 403</b>	<b>\$ 1,625</b>

<sup>(1)</sup> Unless indicated otherwise, all amounts included in the table reflect actual recorded costs for 2019.

<sup>(2)</sup> Includes \$29 million forecasted for 2020.

<sup>(3)</sup> Transmission amounts are under the FERC's regulatory authority.

<sup>(4)</sup> Includes \$59 million forecasted for 2020.

To the extent the recorded costs for each account apart from Transmission Safety Repairs total an amount that is different from \$1.420 billion, then the amount for which the Utility shall not seek rate recovery for Transmission Safety Repairs will be adjusted so that the total amount for which the Utility shall not seek rate recovery equals \$1.625 billion.

PG&E Corporation and the Utility record a charge when it is both probable that costs incurred or projected to be incurred for recently completed plant will not be recoverable through rates charged to customers and the amount of disallowance can be reasonably estimated.

As of December 31, 2019, PG&E Corporation and the Utility recorded charges of \$344 million, related to the portion of the \$403 million in disallowed capital that had been spent through December 31, 2019 and, in 2020, expects to record \$59 million related to capital expenditures listed in the table above. In addition, PG&E Corporation and Utility recorded charges of approximately \$55 million related to vegetation management and catastrophic event expense costs that were previously determined to be probable of recovery and expects to record an additional \$29 million in expenses in 2020.

The Utility expects that the system enhancement spending pursuant to the settlement agreement will occur through 2025.

The settlement agreement will become effective upon: (i) approval by the CPUC in a written decision, (ii) following such approval by the CPUC, approval of the United States Bankruptcy Court, Northern District of California, San Francisco Division, and (iii) the effectiveness of a chapter 11 plan of reorganization for the Utility approving the implementation of the settlement agreement. The CPUC may accept, reject or propose alternative terms to the settlement agreement, including imposing penalties on the Utility. The Utility has requested that the CPUC approve the settlement on an expedited basis by the end of February 2020.

The Utility is unable to predict the outcome of this proceeding.

***Order Instituting an Investigation and Order to Show Cause into the Utility's Locate and Mark practices***

On December 14, 2018, the CPUC issued an OII and order to show cause to assess the Utility's practices and procedures related to the locating and marking of natural gas facilities. The OII directed the Utility to show cause as to why the CPUC should not find violations in this matter, and why the CPUC should not impose penalties, and/or any other forms of relief, if any violations are found. The Utility was also directed in the OII to provide a report on specific matters, including that it is conducting locate and mark programs in a safe manner.

The OII cited a report by the SED dated December 6, 2018, which alleges that the Utility violated the law pertaining to the locating and marking of its gas facilities and falsified records related to its locate and mark activities between 2012 and 2017. As described in the OII, the SED cites reports issued in this matter by two consultants retained by the Utility, that (i) included certain facts and conclusions about the extent of inaccuracies in the Utility's late tickets and the reasons for the inaccuracies, and (ii) provided an analysis, based on the available data, of tickets that should be properly categorized as late, and identification of associated dig-ins. As a result, the OII will determine whether the Utility violated any provision of the Public Utilities Code, general orders, federal law adopted by California, other rules, or requirements, and/or other state or federal law, by its locate and mark policies, practices, and related issues, and the extent to which the Utility's practices with regard to locate and mark may have diminished system safety.

On March 14, 2019, as directed by the CPUC, the Utility submitted a report that addressed the SED report and responded to the order to show cause. A prehearing conference was held on April 4, 2019, to establish scope and a procedural schedule. The assigned commissioner and ALJ encouraged the SED and the Utility to engage in settlement discussions. On April 24, 2019, the Utility provided notice of a settlement conference and the parties began ongoing settlement discussions. On May 7, 2019, the assigned commissioner issued a scoping memo and ruling that included within the proceedings, in addition to the issues identified in the OII relating to the Utility's locate and mark procedures, issues relating to locating and marking of the Utility's electric distribution facilities and the use of "qualified electrical workers" for locating and marking underground infrastructure. On July 24, 2019, the SED submitted its opening testimony to the CPUC. A status conference with the ALJ was held on July 30, 2019. Intervenor testimony was submitted on August 16, 2019, and the Utility's reply testimony was submitted on September 18, 2019.

On October 3, 2019, the Utility, SED and CUE jointly submitted to the CPUC a proposed settlement agreement. Pursuant to the settlement agreement, the Utility agreed to a total financial remedy of \$65 million, comprised of (i) a fine of \$5 million funded by shareholders to be paid to the General Fund of the State of California pursuant to, and in accordance with, the time frame and other provisions governing distributions as set forth in the Chapter 11 plan of reorganization for the Utility as confirmed by the Bankruptcy Court; and (ii) \$60 million in shareholder-funded initiatives undertaken to enhance, among other things, the Utility's locate and mark compliance and capabilities and the reliability of the Underground Service Alert ticket management information that the Utility maintains in the ordinary course of its business.

In accordance with the settlement agreement, shareholder-funded system enhancements will include, among other things, locate and mark ticket compliance audits to verify accurate categorization of timeliness, compliance audits using field reviews of gas and electric locate and mark tickets to assess performance, procedure adherence and compliance, and additional locate and mark staff. The expenditure of any sums not fully expended within three years of the effective date of the settlement agreement will be subject to further agreement among the parties.

On January 17, 2020, the presiding officer issued a decision requiring modifications to the settlement agreement that would (i) require an extension of certain compliance audits required by the settlement agreement, at a cost to shareholders of \$6 million, (ii) an additional fine of \$39 million funded by shareholders to be paid to the General Fund of the State of California, (iii) certain additional system enhancements, and (iv) requirements on the previously proposed system enhancements, including a requirement that any funds remaining after completion of the system enhancements are not to be spent as agreed to by the parties, but is to be paid to the General Fund. On February 6, 2020, the settling parties filed a motion accepting the presiding officer's proposed modifications to the settlement and proposing alternative relief. On February 14, 2020, the presiding officer issued a decision noting that the settling parties had accepted the modifications included in the presiding officer's decision and rejecting the alternative relief proposed by the settling parties. The deadline for parties to file an appeal of the presiding officer's decision is February 18, 2020.

As of December 31, 2019, PG&E Corporation's and the Utility's Consolidated Balance Sheets include a \$44 million accrual.

This proceeding is not subject to the automatic stay imposed as a result of the commencement of the Chapter 11 Cases; however, collection efforts in connection with fines or penalties arising out of this proceeding are stayed.

### ***OII into Compliance with Ex Parte Communication Rules***

On November 23, 2015, the CPUC issued an OII into whether the Utility should be sanctioned for violating rules pertaining to ex parte communications and Rule 1.1 of the CPUC's Rules of Practice and Procedure governing the conduct of those appearing before the CPUC. The CPUC would later divide the OII into two phases, pertaining to different sets of communications.

Regarding phase one, on April 26, 2018, the CPUC adopted the settlement agreement jointly submitted to the CPUC on March 28, 2017, as modified (the "settlement agreement") by the Utility, the Cities of San Bruno and San Carlos, PAO, the SED, and TURN. The decision resulted in a total penalty of \$97.5 million comprised of: (1) a \$12 million payment to the California General Fund, (2) forgoing collection of \$63.5 million of GT&S revenue requirements for the years 2018 (\$31.75 million) and 2019 (\$31.75 million), (3) a \$10 million one-time revenue requirement adjustment to be amortized in equivalent annual amounts over the Utility's next GRC cycle (i.e., the 2020 GRC), and (4) compensation payments to the Cities of San Bruno and San Carlos in a total amount of \$12 million (\$6 million to each city). In addition, the settlement agreement provides for certain non-financial remedies, including enhanced noticing obligations between the Utility and CPUC decision-makers, as well as certification of employee training on the CPUC ex parte communication rules. Under the terms of the settlement agreement, customers will bear no costs associated with the financial remedies set forth above.

As a result of the CPUC's April 26, 2018 decision, on May 17, 2018, the Utility made a \$12 million payment to the California General Fund and \$6 million payments to each of the Cities of San Bruno and San Carlos. At December 31, 2019, the Utility has refunded \$63.5 million of GT&S revenue requirements for the years 2018 and 2019. In accordance with accounting rules, adjustments related to revenue requirements are recorded in the periods in which they are incurred.

Regarding phase two, on December 5, 2019, the CPUC approved a settlement agreement between the Cities of San Bruno and San Carlos, PAO, the SED, TURN, and the Utility. Under the settlement agreement, the Utility will pay a total penalty of \$10 million comprised of: (1) a \$2 million payment to the California General Fund, (2) forgoing collection of \$5 million in revenue requirements during the term of its 2019 GT&S rate case, (3) forgoing collection of \$1 million in revenue requirement during the term of its 2020 GRC cycle, and (4) compensation payments to the Cities of San Bruno and San Carlos in a total amount of \$2 million (\$1 million to each city). By the terms of the settlement, the financial remedies will not be implemented until a plan of reorganization is approved in the Chapter 11 Cases. In accordance with accounting rules, adjustments related to forgone collections would be recorded in the periods in which they are incurred.

As of December 31, 2019, PG&E Corporation's and the Utility's Consolidated Balance Sheets include a \$4 million accrual for the amounts payable to the California General Fund and the Cities of San Bruno and San Carlos.



### ***Transmission Owner Rate Case Revenue Subject to Refund***

The FERC determines the amount of authorized revenue requirements, including the rate of return on electric transmission assets, that the Utility may collect in rates in the TO rate case. The FERC typically authorizes the Utility to charge new rates based on the requested revenue requirement, subject to refund, before the FERC has issued a final decision. The Utility bills and records revenue based on the amounts requested in its rate case filing and records a reserve for its estimate of the amounts that are probable of refund. Rates subject to refund went into effect on March 1, 2017, and March 1, 2018, for TO18 and TO19, respectively. Rates subject to refund for TO20 went into effect on May 1, 2019.

On October 1, 2018, the ALJ issued an initial decision in the TO18 rate case and the Utility filed initial briefs on October 31, 2018, in response to the ALJ's recommendations. The Utility expects the FERC to issue a decision in the TO18 rate case in 2020, however, the timing of that decision is uncertain, and it will likely be the subject of requests for rehearing and appeal.

On September 21, 2018, the Utility filed an all-party settlement with the FERC, which was approved by FERC on December 20, 2018, in connection with TO19. As part of the settlement, the TO19 revenue requirement will be set at 98.85% of the revenue requirement for TO18 that will be determined upon issuance of a final unappealable decision in TO18.

On November 30, 2018, the FERC issued an order accepting the Utility's October 2018 filing of its TO20 formula rate case, subject to hearings and refund, and established May 1, 2019, as the effective date for rate changes. The FERC also ordered that the hearings will be held in abeyance pending settlement discussions among the parties.

The Utility is unable to predict the timing or outcome of FERC's decisions in the TO18 and TO19 proceedings or the timing or outcome of the TO20 proceeding.

### ***Natural Gas Transmission Pipeline Rights-of-Way***

In 2012, the Utility notified the CPUC and the SED that the Utility planned to complete a system-wide survey of its transmission pipelines in an effort to address a self-reported violation whereby the Utility did not properly identify encroachments (such as building structures and vegetation overgrowth) on the Utility's pipeline rights-of-way. The Utility also submitted a proposed compliance plan that set forth the scope and timing of remedial work to remove identified encroachments over a multi-year period and to pay penalties if the proposed milestones were not met. In March 2014, the Utility informed the SED that the survey had been completed and that remediation work, including removal of the encroachments, was expected to continue for several years. The SED has not addressed the Utility's proposed compliance plan, and it is reasonably possible that the SED will impose fines on the Utility in the future based on the Utility's failure to continuously survey its system and remove encroachments. The Utility is unable to reasonably estimate the amount or range of future charges that could be incurred given the SED's wide discretion and the number of factors that can be considered in determining penalties.

### ***Other Matters***

PG&E Corporation and the Utility are subject to various claims, lawsuits, and regulatory proceedings that separately are not considered material. Accruals for contingencies related to such matters (excluding amounts related to the contingencies discussed above under "Enforcement and Litigation Matters") totaled \$116 million at December 31, 2019 and were included in LSTC. Accruals for contingencies related to such matters totaled \$98 million at December 31, 2018. These amounts were included in Other current liabilities in the Consolidated Balance Sheets. On the Petition Date, these amounts were moved to LSTC. PG&E Corporation and the Utility do not believe it is reasonably possible that the resolution of these matters will have a material impact on their financial condition, results of operations, or cash flows.

### ***PSPS Class Action***

On December 19, 2019, a complaint was filed in the United States Bankruptcy Court for the Northern District of California naming PG&E Corporation and the Utility. The plaintiff seeks certification of a class consisting of all California residents and business owners who had their power shut off by the Utility during the October 9, October 23, October 26, October 28, or November 20, 2019 power outages and any subsequent voluntary outages occurring during the course of litigation. The plaintiff alleges that the necessity for the October and November 2019 power shutoff events was caused by the Utility's negligence in failing to properly maintain its electrical lines and surrounding vegetation. The complaint seeks up to \$2.5 billion in special and general damages, punitive and exemplary damages and injunctive relief to require the Utility to properly maintain and inspect its power grid.

PG&E Corporation and the Utility believe the allegations are without merit and intend to defend this lawsuit vigorously. On January 21, 2020, PG&E Corporation and the Utility filed a motion to dismiss the complaint or in the alternative strike the class action allegations. The motion to dismiss and strike is set to be heard by the Bankruptcy Court on March 10, 2020. At this stage of the litigation, PG&E Corporation and the Utility are unable to predict the ultimate outcome or estimate a range of reasonably possible losses.

### **2015 GT&S Rate Case Disallowance of Capital Expenditures**

On June 23, 2016, the CPUC approved a final phase one decision in the Utility's 2015 GT&S rate case. The phase one decision excluded from rate base \$696 million of capital spending in 2011 through 2014 in excess of the amount adopted in the prior GT&S rate case. The decision permanently disallowed \$120 million of that amount and ordered that the remaining \$576 million be subject to an audit overseen by the CPUC staff, with the possibility that the Utility may seek recovery in a future proceeding. Additional charges may be required in the future based on the outcome of the CPUC's audit of 2011 through 2014 capital spending. Capital disallowances are reflected in operating and maintenance expenses in the Consolidated Statements of Income.

### **Environmental Remediation Contingencies**

Given the complexities of the legal and regulatory environment and the inherent uncertainties involved in the early stages of a remediation project, the process for estimating remediation liabilities requires significant judgment. The Utility records an environmental remediation liability when the site assessments indicate that remediation is probable, and the Utility can reasonably estimate the loss or a range of probable amounts. The Utility records an environmental remediation liability based on the lower end of the range of estimated probable costs, unless an amount within the range is a better estimate than any other amount. Key factors that inform the development of estimated costs include site feasibility studies and investigations, applicable remediation actions, operations and maintenance activities, post-remediation monitoring, and the cost of technologies that are expected to be approved to remediate the site. Amounts recorded are not discounted to their present value. The Utility's environmental remediation liability is primarily included in non-current liabilities on the Consolidated Balance Sheets and is comprised of the following:

(in millions)	Balance at	
	December 31, 2019	December 31, 2018
Topock natural gas compressor station	\$ 362	\$ 369
Hinkley natural gas compressor station	138	146
Former manufactured gas plant sites owned by the Utility or third parties <sup>(1)</sup>	568	520
Utility-owned generation facilities (other than fossil fuel-fired), other facilities, and third-party disposal sites <sup>(2)</sup>	101	111
Fossil fuel-fired generation facilities and sites <sup>(3)</sup>	106	137
<b>Total environmental remediation liability</b>	<b>\$ 1,275</b>	<b>\$ 1,283</b>

<sup>(1)</sup> Primarily driven by the following sites: Vallejo, San Francisco East Harbor and Outside East Harbor, Napa, Beach Street and San Francisco North Beach.

<sup>(2)</sup> Primarily driven by Geothermal landfill and Shell Pond site.

<sup>(3)</sup> Primarily driven by the San Francisco Potrero Power Plant.

The Utility's gas compressor stations, former manufactured gas plant sites, power plant sites, gas gathering sites, and sites used by the Utility for the storage, recycling, and disposal of potentially hazardous substances are subject to requirements issued by the EPA under the Federal Resource Conservation and Recovery Act in addition to other state hazardous waste laws. The Utility has a comprehensive program in place designed to comply with federal, state, and local laws and regulations related to hazardous materials, waste, remediation activities, and other environmental requirements. The Utility assesses and monitors the environmental requirements on an ongoing basis and implements changes to its program as deemed appropriate. The Utility's remediation activities are overseen by the DTSC, several California regional water quality control boards, and various other federal, state, and local agencies.

The Utility's environmental remediation liability at December 31, 2019, reflects its best estimate of probable future costs for remediation based on the current assessment data and regulatory obligations. Future costs will depend on many factors, including the extent of work necessary to implement final remediation plans and the Utility's time frame for remediation. The Utility may incur actual costs in the future that are materially different than this estimate and such costs could have a material effect on results of operations, financial condition, liquidity, and cash flows during the period in which they are recorded. At December 31, 2019, the Utility expected to recover \$950 million of its environmental remediation liability for certain sites through various ratemaking mechanisms authorized by the CPUC.

#### ***Natural Gas Compressor Station Sites***

The Utility is legally responsible for remediating groundwater contamination caused by hexavalent chromium used in the past at the Utility's natural gas compressor stations. The Utility is also required to take measures to abate the effects of the contamination on the environment.

##### *Topock Site*

The Utility's remediation and abatement efforts at the Topock site are subject to the regulatory authority of the California DTSC and the U.S. Department of the Interior. On April 24, 2018, the DTSC authorized the Utility to build an in-situ groundwater treatment system to convert hexavalent chromium into a non-toxic and non-soluble form of chromium. Construction activities began in October 2018 and will continue for several years. The Utility's undiscounted future costs associated with the Topock site may increase by as much as \$208 million if the extent of contamination or necessary remediation is greater than anticipated. The costs associated with environmental remediation at the Topock site are expected to be recovered primarily through the HSM, where 90% of the costs are recovered in rates.

##### *Hinkley Site*

The Utility has been implementing remediation measures at the Hinkley site to reduce the mass of the chromium plume in groundwater and to monitor and control movement of the plume. The Utility's remediation and abatement efforts at the Hinkley site are subject to the regulatory authority of the California Regional Water Quality Control Board, Lahontan Region. In November 2015, the California Regional Water Quality Control Board, Lahontan Region adopted a clean-up and abatement order directing the Utility to contain and remediate the underground plume of hexavalent chromium and the potential environmental impacts. The final order states that the Utility must continue and improve its remediation efforts, define the boundaries of the chromium plume, and take other action. Additionally, the final order sets plume capture requirements, requires a monitoring and reporting program, and includes deadlines for the Utility to meet interim cleanup targets. The United States Geological Survey team is currently conducting a background study on the site to better define the chromium plume boundaries. A draft background report is expected to be issued in 2020 and finalized thereafter. The Utility's undiscounted future costs associated with the Hinkley site may increase by as much as \$128 million if the extent of contamination or necessary remediation is greater than anticipated. The costs associated with environmental remediation at the Hinkley site will not be recovered through rates.

#### ***Former Manufactured Gas Plants***

Former MGPs used coal and oil to produce gas for use by the Utility's customers before natural gas became available. The by-products and residues of this process were often disposed of at the MGPs themselves. The Utility has a program to manage the residues left behind as a result of the manufacturing process; many of the sites in the program have been addressed. The Utility's undiscounted future costs associated with MGP sites may increase by as much as \$626 million if the extent of contamination or necessary remediation is greater than anticipated. The costs associated with environmental remediation at the MGP sites are recovered through the HSM, where 90% of the costs are recovered in rates.

#### ***Utility-Owned Generation Facilities and Third-Party Disposal Sites***

Utility-owned generation facilities and third-party disposal sites often involve long-term remediation. The Utility's undiscounted future costs associated with Utility-owned generation facilities and third-party disposal sites may increase by as much as \$77 million if the extent of contamination or necessary remediation is greater than anticipated. The environmental remediation costs associated with the Utility-owned generation facilities and third-party disposal sites are recovered through the HSM, where 90% of the costs are recovered in rates.

## ***Fossil Fuel-Fired Generation Sites***

In 1998, the Utility divested its generation power plant business as part of generation deregulation. Although the Utility sold its fossil-fueled power plants, the Utility retained the environmental remediation liability associated with each site. The Utility's undiscounted future costs associated with fossil fuel-fired generation sites may increase by as much as \$82 million if the extent of contamination or necessary remediation is greater than anticipated. The environmental remediation costs associated with the fossil fuel-fired sites will not be recovered through rates.

### **Insurance**

#### ***Wildfire Insurance***

In 2018, PG&E Corporation and the Utility renewed their liability insurance coverage for wildfire events in an aggregate amount of approximately \$1.4 billion for the period from August 1, 2018 through July 31, 2019, comprised of \$700 million for general wildfire liability in policies covering wildfire and non-wildfire events (subject to an initial self-insured retention of \$10 million per occurrence), and \$700 million for wildfire property damages only, which included approximately \$200 million of coverage through the use of a catastrophe bond. In 2019, PG&E Corporation and the Utility has liability insurance coverage for wildfire events in an amount of \$430 million (subject to an initial self-insured retention of \$10 million per occurrence) for the period of August 1, 2019 through July 31, 2020, and approximately \$1 billion in liability insurance coverage for non-wildfire events (subject to an initial self-insured retention of \$10 million per occurrence), comprised of \$520 million for the period of August 1, 2019 through July 31, 2020 and \$480 million for the period of September 3, 2019 through September 2, 2020. PG&E Corporation and the Utility continue to pursue additional insurance coverage. Various coverage limitations applicable to different insurance layers could result in uninsured costs in the future depending on the amount and type of damages resulting from covered events.

PG&E Corporation's and the Utility's cost of obtaining the wildfire and non-wildfire insurance coverage in place for the period of August 1, 2019 through September 2, 2020 is approximately \$212 million, compared to the approximately \$50 million that the Utility recovered in rates during the year ended December 31, 2019. The Utility has sought recovery of certain premium costs paid in excess of the amount the Utility currently is recovering from customers through the GRC period ended December 31, 2019. The Utility's 2020 GRC settlement agreement includes a new two-way balancing account that would allow the Utility to pass through actual insurance premium costs for up to \$1.4 billion in coverage. The Utility is unable to predict the timing and outcome of the 2020 GRC proceeding.

PG&E Corporation and the Utility record a receivable for insurance recoveries when it is deemed probable that recovery of a recorded loss will occur. Through December 31, 2019, PG&E Corporation and the Utility recorded \$1.38 billion for probable insurance recoveries in connection with the 2018 Camp fire and \$843 million for probable insurance recoveries in connection with the 2017 Northern California wildfires. These amounts reflect an assumption that the cause of each fire is deemed to be a separate occurrence under the insurance policies.

#### ***Nuclear Insurance***

The Utility maintains multiple insurance policies through NEIL, a mutual insurer owned by utilities with nuclear facilities, and European Mutual Association for Nuclear Insurance (EMANI), covering nuclear or non-nuclear events at the Utility's two nuclear generating units at Diablo Canyon and the retired Humboldt Bay Unit 3.

NEIL provides insurance coverage for property damages and business interruption losses incurred by the Utility if a nuclear event were to occur at the Utility's two nuclear generating units at Diablo Canyon. NEIL provides property damage and business interruption coverage of up to \$3.2 billion per nuclear incident and \$2.7 billion per non-nuclear incident for Diablo Canyon. For Humboldt Bay Unit 3, NEIL provides up to \$131 million of coverage for nuclear and non-nuclear property damages.

NEIL also provides coverage for damages caused by acts of terrorism at nuclear power plants. Certain acts of terrorism may be "certified" by the Secretary of the Treasury. If damages are caused by certified acts of terrorism, NEIL may obtain reimbursement from the federal government up to a shared limit of \$3.2 billion for each insured loss for NEIL members. In contrast, for acts of terrorism not deemed "certified" by the Secretary of the Treasury, NEIL treats all non-certified terrorist acts occurring within a 12-month period against one or more commercial nuclear power plants insured by NEIL as one event and the owners of the affected plants would share a \$3.2 billion policy limit amount.

In addition to the nuclear insurance the Utility maintains through the NEIL, the Utility also is a member of the EMANI, which provides excess insurance coverage for property damages and business interruption losses incurred by the Utility if a nuclear or non-nuclear event were to occur at Diablo Canyon. EMANI provides \$200 million for any one accident and in the annual aggregate excess of the combined amount recoverable under the Utility's NEIL policies.

If NEIL losses in any policy year exceed accumulated funds, the Utility could be subject to a retrospective assessment. If NEIL were to exercise this assessment, as of the policy renewal on April 1, 2020, the maximum aggregate annual retrospective premium obligation for the Utility would be approximately \$44 million. If EMANI losses in any policy year exceed accumulated funds, the Utility could be subject to a retrospective assessment of approximately \$4 million, as of the policy renewal on April 1, 2020.

Under the Price-Anderson Act, public liability claims that arise from nuclear incidents that occur at Diablo Canyon, and that occur during the transportation of material to and from Diablo Canyon are limited to \$14.0 billion. The Utility purchased the maximum available public liability insurance of \$450 million for Diablo Canyon. The balance of the \$14.0 billion of liability protection is provided under a loss-sharing program among utilities owning nuclear reactors. The Utility may be assessed up to \$275 million per nuclear incident under this loss sharing program, with payments in each year limited to a maximum of \$41 million per incident. Both the maximum assessment and the maximum yearly assessment are adjusted for inflation at least every five years.

The Price-Anderson Act does not apply to claims that arise from nuclear incidents that occur during shipping of nuclear material from the nuclear fuel enricher to a fuel fabricator or that occur at the fuel fabricator's facility. The Utility has a separate policy that provides coverage for claims arising from some of these incidents up to a maximum of \$450 million per incident. In addition, the Utility has approximately \$53 million of liability insurance for Humboldt Bay Unit 3 and has a \$500 million indemnification from the NRC for public liability arising from nuclear incidents for Humboldt Bay Unit 3, covering liabilities in excess of the \$53 million in liability insurance.

### Purchase Commitments

The following table shows the undiscounted future expected obligations under power purchase agreements that have been approved by the CPUC and have met specified construction milestones as well as undiscounted future expected payment obligations for natural gas supplies, natural gas transportation, natural gas storage, and nuclear fuel as of December 31, 2019:

(in millions)	Power Purchase Agreements						Total
	Renewable Energy	Conventional Energy	Other	Natural Gas	Nuclear Fuel		
2020	\$ 2,230	\$ 640	\$ 82	\$ 411	\$ 151	\$ 3,514	
2021	2,234	582	65	155	64	3,100	
2022	2,021	511	61	155	54	2,802	
2023	1,941	224	60	155	49	2,429	
2024	1,917	72	60	155	47	2,251	
Thereafter	22,853	351	94	346	—	23,644	
<b>Total purchase commitments</b>	<b>\$ 33,196</b>	<b>\$ 2,380</b>	<b>\$ 422</b>	<b>\$ 1,377</b>	<b>\$ 365</b>	<b>\$ 37,740</b>	

Subject to certain exceptions, under the Bankruptcy Code, PG&E Corporation and the Utility may assume, assign or reject certain executory contracts, subject to the approval of the Bankruptcy Court and satisfaction of certain other conditions. (For more information see "The Bankruptcy Court's Decision on its Authority over PG&E Corporation's and the Utility's Rejection of Power Purchase Agreements" in Note 2 above.)

### Third-Party Power Purchase Agreements

In the ordinary course of business, the Utility enters into various agreements, including renewable energy agreements, QF agreements, and other power purchase agreements to purchase power and electric capacity. The price of purchased power may be fixed or variable. Variable pricing is generally based on the current market price of either natural gas or electricity at the date of delivery.

*Renewable Energy Power Purchase Agreements.* In order to comply with California’s RPS requirements, the Utility is required to deliver renewable energy to its customers at a gradually increasing rate. The Utility has entered into various agreements to purchase renewable energy to help meet California’s requirement. The Utility’s obligations under a significant portion of these agreements are contingent on the third party’s construction of new generation facilities, which are expected to grow. As of December 31, 2019, renewable energy contracts expire at various dates between 2019 and 2043.

*Conventional Energy Power Purchase Agreements.* The Utility has entered into many power purchase agreements for conventional generation resources, which include tolling agreements and resource adequacy agreements. The Utility’s obligation under a portion of these agreements is contingent on the third parties’ development of new generation facilities to provide capacity and energy products to the Utility. As of December 31, 2019, these power purchase agreements expire at various dates between 2019 and 2033.

*Other Power Purchase Agreements.* The Utility has entered into agreements to purchase energy and capacity with independent power producers that own generation facilities that meet the definition of a QF under federal law. As of December 31, 2019, QF contracts in operation expire at various dates between 2019 and 2049. In addition, the Utility has agreements with various irrigation districts and water agencies to purchase hydroelectric power.

The costs incurred for all power purchases and electric capacity amounted to \$3.0 billion in 2019, \$3.1 billion in 2018, and \$3.3 billion in 2017.

***Natural Gas Supply, Transportation, and Storage Commitments***

The Utility purchases natural gas directly from producers and marketers in both Canada and the United States to serve its core customers and to fuel its owned-generation facilities. The Utility also contracts for natural gas transportation from the points at which the Utility takes delivery (typically in Canada, the US Rocky Mountain supply area, and the southwestern United States) to the points at which the Utility’s natural gas transportation system begins. These agreements expire at various dates between 2019 and 2026. In addition, the Utility has contracted for natural gas storage services in northern California to more reliably meet customers’ loads.

Costs incurred for natural gas purchases, natural gas transportation services, and natural gas storage, which include contracts with terms of less than 1 year, amounted to \$0.9 billion in 2019, \$0.6 billion in 2018, and \$0.9 billion in 2017.

***Nuclear Fuel Agreements***

The Utility has entered into several purchase agreements for nuclear fuel. These agreements expire at various dates between 2019 and 2024 and are intended to ensure long-term nuclear fuel supply. The Utility relies on a number of international producers of nuclear fuel in order to diversify its sources and provide security of supply. Pricing terms are also diversified, ranging from market-based prices to base prices that are escalated using published indices.

Payments for nuclear fuel amounted to \$74 million in 2019, \$73 million in 2018, and \$83 million in 2017.

**Other Commitments**

PG&E Corporation and the Utility have other commitments primarily related to office facilities and land leases, which expire at various dates between 2020 and 2052. At December 31, 2019, the future minimum payments related to these commitments were as follows:

<b>(in millions)</b>	<b>Other Commitments</b>	
2020	\$	45
2021		39
2022		31
2023		24
2024		14
Thereafter		111
<b>Total minimum lease payments</b>	<b>\$</b>	<b>264</b>

Payments for other commitments amounted to \$48 million in 2019, \$43 million in 2018, and \$45 million in 2017. Certain office facility leases contain escalation clauses requiring annual increases in rent. The rents may increase by a fixed amount each year, a percentage of the base rent, or the consumer price index. There are options to extend these leases for one to five years.

One of these commitments is treated as a financing lease. At December 31, 2019 and 2018, net financing leases reflected in property, plant, and equipment on the Consolidated Balance Sheets were \$9 million and \$11 million including accumulated amortization of \$9 million and \$8 million, respectively. The present value of the future minimum lease payments due under these agreements included \$2 million and \$2 million in Current Liabilities and \$7 million and \$9 million in Noncurrent Liabilities on the Consolidated Balance Sheet, at December 31, 2019 and 2018, respectively.

**QUARTERLY CONSOLIDATED FINANCIAL DATA (UNAUDITED)**

(in millions, except per share amounts)	Quarter ended			
	December 31	September 30	June 30	March 31
<b>2019</b>				
<b>PG&amp;E CORPORATION</b>				
Operating revenues <sup>(1)</sup>	\$ 4,743	\$ 4,432	\$ 3,943	\$ 4,011
Operating income (loss)	(4,343)	(2,300)	(3,640)	189
Income tax provision (benefit) <sup>(2)</sup>	(1,468)	(729)	(1,119)	(84)
Net income (loss) <sup>(3)</sup>	(3,613)	(1,616)	(2,549)	136
Income (loss) available for common shareholders	(3,617)	(1,619)	(2,553)	136
Comprehensive income (loss)	(3,607)	(1,619)	(2,553)	136
Net earnings (loss) per common share, basic	(6.84)	(3.06)	(4.83)	0.25
Net earnings (loss) per common share, diluted	(6.84)	(3.06)	(4.83)	0.25
<b>UTILITY</b>				
Operating revenues <sup>(1)</sup>	\$ 4,743	\$ 4,432	\$ 3,943	\$ 4,011
Operating income (loss)	(4,350)	(2,302)	(3,638)	172
Income tax provision (benefit) <sup>(2)</sup>	(1,464)	(738)	(1,119)	(86)
Net income (loss) <sup>(3)</sup>	(3,595)	(1,610)	(2,550)	133
Income (loss) available for common stock	(3,602)	(1,613)	(2,554)	133
Comprehensive income (loss)	(3,593)	(1,610)	(2,550)	133
<b>2018</b>				
<b>PG&amp;E CORPORATION</b>				
Operating revenues <sup>(4)</sup>	\$ 4,088	\$ 4,381	\$ 4,234	\$ 4,056
Operating income	(9,530)	696	(1,465)	599
Income tax provision <sup>(5)</sup>	(2,765)	15	(593)	51
Net income <sup>(6)</sup>	(6,869)	567	(980)	445
Income available for common shareholders	(6,873)	564	(984)	442
Comprehensive income	(6,866)	568	(980)	445
Net earnings per common share, basic	(13.24)	1.09	(1.91)	0.86
Net earnings per common share, diluted	(13.24)	1.09	(1.91)	0.86
<b>UTILITY</b>				
Operating revenues <sup>(4)</sup>	\$ 4,088	\$ 4,382	\$ 4,234	\$ 4,056
Operating income	(9,530)	697	(1,465)	599
Income tax provision <sup>(5)</sup>	(2,765)	14	(592)	48
Net income <sup>(6)</sup>	(6,865)	571	(976)	452
Income available for common stock	(6,869)	568	(980)	449
Comprehensive income	(6,871)	571	(975)	452

<sup>(1)</sup> In the third and fourth quarters of 2019, the Utility recorded additional base revenues authorized in the 2017 GRC and 2019 GT&S rate cases.

<sup>(2)</sup> In the second, third and fourth quarters of 2019, the Utility had an income tax benefit as a result of pre-tax losses.

<sup>(3)</sup> In the second quarter of 2019, the Utility recorded a pre-tax charge of \$2.0 billion as a result of the 2017 Northern California wildfires and a pre-tax charge of \$1.9 billion as a result of the 2018 Camp fire. In the third quarter of 2019, the Utility recorded a pre-tax charge of \$2.0 billion as a result of the 2017 Northern California wildfires and a pre-tax charge of \$526 million as a result of the 2018 Camp fire. In the fourth quarter of 2019, the Utility recorded a pre-tax charge of \$5.0 billion associated with wildfire-related third-party claims.

<sup>(4)</sup> In the first quarter of 2018, the Utility recorded \$81 million as provisions for rate refunds for the 2017 GRC and 2015 GT&S rate case as a result of the Tax Act.

<sup>(5)</sup> In the second and fourth quarters of 2018, the Utility had an income tax benefit as a result of pre-tax losses.

<sup>(6)</sup> In the second quarter of 2018, the Utility recorded a pre-tax charge of \$2.5 billion as a result of the 2017 Northern California wildfires. In the fourth quarter of 2018, the Utility recorded a pre-tax charge of \$10.5 billion as a result of the 2018 Camp fire and an additional \$1.0 billion pre-tax charge for the 2017 Northern California wildfires.



## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of PG&E Corporation and the Utility is responsible for establishing and maintaining adequate internal control over financial reporting. PG&E Corporation's and the Utility's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, or GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of PG&E Corporation and the Utility, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of PG&E Corporation and the Utility, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2019, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment and those criteria, management has concluded that PG&E Corporation and the Utility maintained effective internal control over financial reporting as of December 31, 2019.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited PG&E Corporation's and the Utility's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of PG&E Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PG&E Corporation (“Debtor-in-Possession”) and subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2020, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 14 to the financial statements, the Company suffered material losses as a result of the 2017 Northern California wildfires and the 2018 Camp fire (wildfire-related contingencies are also communicated as a critical audit matter below), which contributed to the Company’s decision to voluntarily file for bankruptcy. These circumstances raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Notes 1 and 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Bankruptcy Proceedings

As discussed in Note 2 to the financial statements, on January 29, 2019, the Company has voluntarily filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to pre-petition liabilities, the settlement amounts for allowed claims, or the status and priority thereof; (3) as to shareholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (4) as to operations, the effect of any changes that may be made in its business.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Wildfire-Related Contingencies — Refer to Note 14 to the financial statements (also see going concern explanatory paragraph above)*

#### *Critical Audit Matter Description*

The Company has significant contingencies related to the 2018 Camp fire, the 2017 Northern California wildfires, and the 2015 Butte fire (the “wildfires”). The Company has recorded estimated liabilities of \$25.5 billion as of December 31, 2019, which is comprised of amounts under agreements with claimholders and represents its best estimate of probable losses as of December 31, 2019. The Company also believes it is reasonably possible that it will incur a loss in connection with the 2019 Kincadee fire but cannot reasonably estimate the amount or range of such possible loss.

We identified wildfire-related contingencies and the related disclosure as a critical audit matter because (1) of the significant judgments made by management to estimate losses and (2) the outcome of the wildfire-related contingencies materially affects the Company’s financial position, results of operations, and cash flows. This required the application of a high degree of judgment and extensive effort when performing audit procedures to evaluate the reasonableness of management’s estimated losses and disclosure related to wildfire-related contingencies.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management’s judgment regarding its estimated losses for wildfire-related contingencies and its related disclosure included the following, among others:

- We tested the effectiveness of management’s internal controls over (1) the Company’s determination of whether a loss was probable and/or reasonably possible; (2) the determination of the significant assumptions, including the information gained through negotiations, settlements, and advice of legal counsel that may impact the valuation of the liability; and (3) the financial statement disclosures related to the wildfires.
- We evaluated management’s judgments related to whether a loss was probable and/or reasonably possible for the wildfires by inquiring of management and the Company’s legal counsel regarding the amounts of probable and reasonably possible losses, including the potential impact of information gained through negotiations, settlements, and advice of legal counsel, and reading settlement agreements and external information for any evidence that might contradict management’s assertions.
- We evaluated the estimation methodology for determining the amount of probable loss through inquiries with management; we tested the significant assumptions used in the valuation of the liability, including but not limited to newly identified information gained through negotiations, settlements, and advice of legal counsel; and we compared the recorded liabilities to settlement agreements with claimholders.
- We read the legal letters from the Company’s external and internal legal counsel regarding information from negotiations and settlements, and evaluated whether the information therein was consistent with the information obtained in our procedures.
- We evaluated whether the Company’s disclosures were appropriate and consistent with the information obtained in our procedures.

***Impact of Rate Regulation on the Financial Statements — Refer to Notes 3, 4 and 14 to the financial statements***

***Critical Audit Matter Description***

The Company's subsidiary, Pacific Gas & Electric Company, follows accounting principles for rate-regulated entities and collects rates from customers to recover "revenue requirements" that have been authorized by the California Public Utility Commission (the "CPUC") or the Federal Energy Regulatory Commission (the "FERC") based on its cost of providing service. Pacific Gas & Electric Company records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for nonregulated entities. Pacific Gas & Electric Company capitalizes and records, as regulatory assets, costs that would otherwise be charged to expense if it is probable that the incurred costs will be recovered in future rates.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of cost recovery and future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery of incurred costs in current or future rates due in part to the uncertainty related to approval from the rate regulators, (2) a disallowance of costs of recently completed plant or plant under construction, and (3) a refund to customers.

Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due its inherent complexities and a high degree of auditor judgment when performing audit procedures to evaluate the reasonableness of management's conclusions that the costs approved by a CPUC decision for tracking purposes meet the definition of a regulatory asset under GAAP and are recorded at the appropriate amount.

***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to the application of specialized rules to account for the effects of cost-based rate regulation and the uncertainty of future decisions by the rate regulators, and that the costs approved by a CPUC decision for tracking purposes meet the definition of a regulatory asset and are appropriately being recorded as a regulatory asset included the following, among others:

- We tested the effectiveness of controls over (1) the evaluation of the application of specialized rules to account for the effects of cost-based rate regulation, (2) the evaluation of the likelihood of (a) the recovery in future rates of costs incurred as property, plant, and equipment or deferred as regulatory assets; (b) regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates; and (c) a refund or a future reduction in rates that should be reported as regulatory liabilities; (3) management's determination that costs approved by a CPUC decision for tracking purposes meet the definition of a regulatory asset and are appropriately being recorded as a regulatory asset and (4) the review of financial statement disclosures related to these matters.
- With the assistance of professionals in our firm having expertise in regulatory accounting, we evaluated the Company's conclusion that it should apply the specialized rules to account for the effects of cost-based rate regulation.
- We read relevant regulatory orders issued by the CPUC for the Company and other public utilities in California, procedural filings, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedence of the CPUC's treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process (e.g., applications for cost recovery, regulatory investigations and the CPUC's review of incurred capital), we inspected the Company's filings with the CPUC and the filings with the CPUC by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- For regulatory assets approved by a CPUC decision for tracking purposes, we selected samples of costs and evaluated whether they met the definition of a regulatory asset by comparing the cost to the description of the costs approved by a CPUC decision and were appropriately recorded to the regulatory asset.
- We inquired of management about property, plant, and equipment that has not been approved by the CPUC for recovery or may be disallowed. We inspected minutes of the Board of Directors, regulatory orders, and other filings with the regulators to identify any evidence that may contradict management's assertion regarding probability of a disallowance.

- We evaluated whether the Company’s disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments, were appropriate and consistent with the information obtained in our procedures.

***Wildfire Fund under AB 1054 — Refer to Note 14 to the financial statements***

*Critical Audit Matter Description*

On July 12, 2019, the California Governor signed into law Assembly Bill (“AB”) 1054, a bill which provides for the establishment of a statewide fund (“Wildfire Fund”) that will be available for eligible California electric utility companies to pay eligible claims for liabilities arising from wildfires occurring after July 12, 2019 that are caused by the applicable electric utility company’s equipment. The Company’s subsidiary, Pacific Gas & Electric Company, obtained the U.S. Bankruptcy Court for the Northern District of California (“Bankruptcy Court”) approval to participate in the Wildfire Fund and to make any initial and annual Wildfire Fund contributions, which are expected to be approximately \$4.8 billion and \$193 million, respectively, upon emergence from Chapter 11 of the U.S. Bankruptcy Code (“Chapter 11 Case”). To participate in the Wildfire Fund, Pacific Gas & Electric Company must emerge from its Chapter 11 Case by June 30, 2020, along with other eligibility requirements.

We identified the Company’s disclosure of the uncertainties related to the timing of funding (e.g., emergence from the Chapter 11 Case and meeting other eligibility requirements), the accounting for any contributions made to the Wildfire Fund, and other material information included in AB 1054, as a critical audit matter because of the significant judgments made by management to determine the extent of the disclosure, including its accounting conclusion related to the initial and annual contributions, as there is no relevant explicit guidance for accounting for contributions to a statewide fund and thus accounting guidance must be applied analogously. This required the application of a high degree of auditor judgment and extensive effort when performing audit procedures to evaluate the reasonableness of management’s judgments.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the disclosures of the uncertainties associated with the timing of funding, material information included in AB 1054, and the accounting for contributions included the following, among others:

- We tested the effectiveness of controls over the review of financial statement disclosures of the uncertainties associated with the timing of the funding, material information included in AB 1054, and the accounting for contributions.
- With the assistance of professionals in our firm having expertise in insurance accounting, we evaluated management’s judgments related to its determination of the accounting for any contributions made to the Wildfire Fund.
- We read the terms of the AB 1054 legislation and the Company’s accounting analysis and evaluated any clauses that contradicted the Company’s conclusions about the accounting for contributions or the financial statement disclosures.
- We evaluated whether the financial statement disclosures were complete and consistent with the information obtained in our procedures.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 18, 2020

We have served as the Company’s auditor since 1999.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Pacific Gas and Electric Company

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pacific Gas and Electric Company (“Debtor-in-Possession”) and subsidiaries (the “Utility”) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Utility as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Utility's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2020 expressed an unqualified opinion on the Utility's internal control over financial reporting.

### Going Concern

The accompanying financial statements have been prepared assuming that the Utility will continue as a going concern. As discussed in Notes 1 and 14 to the financial statements, the Utility suffered material losses as a result of the 2017 Northern California wildfires and the 2018 Camp fire, which contributed to the Utility's decision to voluntarily file for bankruptcy. These circumstances raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Notes 1 and 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Bankruptcy Proceedings

As discussed in Note 2 to the financial statements, on January 29, 2019, the Company has voluntarily filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to pre-petition liabilities, the settlement amounts for allowed claims, or the status and priority thereof; (3) as to shareholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (4) as to operations, the effect of any changes that may be made in its business.

### Basis for Opinion

These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on the Utility's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Utility in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California

February 18, 2020

We have served as the Utility's auditor since 1999.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of PG&E Corporation

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PG&E Corporation and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 18, 2020, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding certain conditions that give rise to substantial doubt about the Company’s ability to continue as a going concern and an emphasis of matter paragraph concerning the bankruptcy proceedings.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP  
San Francisco, California  
February 18, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Pacific Gas and Electric Company

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Pacific Gas and Electric Company and subsidiaries (the “Utility”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Utility maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Utility and our report dated February 18, 2020, expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding certain conditions that give rise to substantial doubt about the Utility’s ability to continue as a going concern and an emphasis of a matter paragraph concerning the bankruptcy proceedings.

### Basis for Opinion

The Utility’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Utility’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Utility in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP  
San Francisco, California  
February 18, 2020



## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCE DISCLOSURE

Not applicable.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Based on an evaluation of PG&E Corporation's and the Utility's disclosure controls and procedures as of December 31, 2019, PG&E Corporation's and the Utility's respective principal executive officers and principal financial officers have concluded that such controls and procedures are effective to ensure that information required to be disclosed by PG&E Corporation and the Utility in reports that the companies file or submit under the 1934 Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (ii) accumulated and communicated to PG&E Corporation's and the Utility's management, including PG&E Corporation's and the Utility's respective principal executive officers and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control over Financial Reporting

Management of PG&E Corporation and the Utility have prepared an annual report on internal control over financial reporting. Management's report, together with the report of the independent registered public accounting firm, appears in Item 8 of this 2019 Form 10-K under the heading "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

#### Registered Public Accounting Firm's Report on Internal Control over Financial Reporting

Deloitte & Touche LLP, an independent registered public accounting firm, has audited PG&E Corporation's and the Utility's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

#### Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, PG&E Corporation's or the Utility's internal control over financial reporting.

### ITEM 9B. OTHER INFORMATION

#### Amendment to Debt Commitment Letters

In connection with the anticipated funding for the Proposed Plan and the anticipated amount of debt and equity to be used for funding thereunder, on February 14, 2020, the Debt Commitment Letters were amended to, among other things, (1) adjust the maximum amount of any roll-over, "take-back" or reinstated debt permitted under the Facilities from \$30.0 billion to \$33.35 billion at the Utility and from \$7.0 billion to \$5.0 billion at PG&E Corporation and (2) increase the amount of proceeds from the issuance of debt securities or other debt for borrowed money as a condition to funding from \$2.0 billion at PG&E Corporation to \$6.0 billion at the Utility ("Amendments No. 4 to the Debt Commitment Letters"). The Amendments No. 4 to the Debt Commitment Letters are attached hereto as Exhibits 10.17 and 10.18.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information regarding executive officers of PG&E Corporation and the Utility is set forth under “Executive Officers of the Registrants” at the end of Part I of this 2019 Form 10-K. Other information regarding directors will be included under the heading “Nominees for Directors of PG&E Corporation and Pacific Gas and Electric Company” in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference. Information regarding compliance with Section 16 of the Exchange Act will be included under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference.

#### ***Website Availability of Code of Ethics, Corporate Governance and Other Documents***

The following documents are available both on the Corporate Governance section of PG&E Corporation’s website ([www.pgecorp.com/corp/about-us/corporate-governance.page](http://www.pgecorp.com/corp/about-us/corporate-governance.page)) and on the Utility’s website ([www.pge.com/en\\_US/about-pge/company-information/company-information.page](http://www.pge.com/en_US/about-pge/company-information/company-information.page), under the Corporate Governance tab): (1) the PG&E Corporation and the Utility’s code of conduct (which meets the definition of “code of ethics” of Item 406(b) of the SEC Regulation S-K) adopted by PG&E Corporation and the Utility and applicable to their directors and employees, including their respective Chief Executive Officer and Presidents, as the case may be, Chief Financial Officers, Controllers and other executive officers, (2) PG&E Corporation’s and the Utility’s respective corporate governance guidelines, and (3) key Board committee charters, including charters for the companies’ Audit Committees and the PG&E Corporation Nominating and Governance Committee and Compensation Committee.

If any amendments are made to, or any waivers are granted with respect to, provisions of the code of conduct adopted by PG&E Corporation and the Utility and that apply to their respective Chief Executive Officer and Presidents, as the case may be, Chief Financial Officers, or Controllers, PG&E Corporation and the Utility will post the amended code of ethics on their websites and will disclose any waivers to the code of conduct in a Current Report on Form 8-K.

#### ***Procedures for Shareholder Recommendations of Nominees to the Boards of Directors***

There were no material changes to the procedures described in PG&E Corporation’s and the Utility’s Joint Proxy Statement relating to the 2019 Annual Meetings of Shareholders by which security holders may recommend nominees to PG&E Corporation’s or Pacific Gas and Electric Company’s Boards of Directors.

#### ***Audit Committees and Audit Committee Financial Expert***

Information regarding the Audit Committees of PG&E Corporation and the Utility and the “audit committee financial experts” as defined by the SEC will be included under the headings “Corporate Governance – Board Committee Duties – Audit Committees” and “Corporate Governance – Committee Membership, Independence, and Qualifications” in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference.

### **ITEM 11. EXECUTIVE COMPENSATION**

Information responding to Item 11, for each of PG&E Corporation and the Utility, will be included under the headings “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Summary Compensation Table - 2019,” “Grants of Plan-Based Awards in 2019,” “Outstanding Equity Awards at Fiscal Year End - 2019,” “Option Exercises and Stock Vested During 2019,” “Pension Benefits – 2019,” “Non-Qualified Deferred Compensation – 2019,” “Potential Payments Upon Resignation, Retirement, Termination, Change in Control, Death, or Disability” and “Compensation of Non-Employee Directors – 2019 Director Compensation” in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information regarding the beneficial ownership of securities for each of PG&E Corporation and the Utility is set forth under the headings “Share Ownership Information – Security Ownership of Management” and “Share Ownership Information – Principal Shareholders” in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference.

### Equity Compensation Plan Information<sup>(1)</sup>

The following table provides information as of December 31, 2019 concerning shares of PG&E Corporation common stock authorized for issuance under PG&E Corporation's existing equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by shareholders	8,592,446 <sup>(2)</sup>	\$ 40.11 <sup>(3)</sup>	12,273,358 <sup>(4)</sup>
Equity compensation plans not approved by shareholders	—	—	—
<b>Total equity compensation plans</b>	<b>8,592,446 <sup>(2)</sup></b>	<b>\$ 40.11 <sup>(3)</sup></b>	<b>12,273,358 <sup>(4)</sup></b>

<sup>(1)</sup> Subject to Compensation Committee certification

<sup>(2)</sup> Includes 9,699 phantom stock units, 1,038,396 restricted stock units and 1,829,615 performance shares. The weighted average exercise price reported in column (b) does not take these awards into account. For performance shares, amounts reflected in this table assume payout in shares at 200% of target or, for performance shares granted in 2017, reflects the actual payout percentage of 0% for performance shares using a total shareholder return metric and 100% for performance shares using safety and financial metrics. The actual number of shares issued can range from 0% to 200% of target depending on achievement of performance objectives. For performance-based stock options, amounts reflected in this table assume payout at 150% of target. The actual number of options issued can range from 0% to 150% of target depending on achievement of performance objectives. Also, restricted stock units and performance shares are generally settled in net shares. Upon vesting, shares with a value equal to required tax withholding will be withheld and, in lieu of issuing the shares, taxes will be paid on behalf of employees. Shares not issued due to share withholding or performance achievement below maximum will be available again for issuance.

<sup>(3)</sup> This is the weighted average exercise price for the 5,714,737 options outstanding as of December 31, 2019.

<sup>(4)</sup> Represents the total number of shares available for issuance under all PG&E Corporation's equity compensation plans as of December 31, 2019. Stock-based awards granted under these plans include restricted stock units, performance shares, stock options and phantom stock units. The 2014 LTIP, which became effective on May 12, 2014, authorizes up to 17 million shares to be issued pursuant to awards granted under the 2014 LTIP. In addition, 5.5 million shares related to awards outstanding under the 2006 LTIP at December 31, 2013 or awards granted under the 2006 LTIP from January 1, 2014 through May 11, 2014 were cancelled, forfeited or expired and became available for issuance under the 2014 LTIP.

For more information, see Note 6 of the Notes to the Consolidated Financial Statements in Item 8.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responding to Item 13, for each of PG&E Corporation and the Utility, will be included under the headings "Related Party Transactions" and "Corporate Governance – Board and Director General Independence and Qualifications" and "Corporate Governance – Committee Membership, Independence, and Qualifications" in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information responding to Item 14, for each of PG&E Corporation and the Utility, will be included under the heading "Information Regarding the Independent Auditor for PG&E Corporation and Pacific Gas and Electric Company" in the Joint Proxy Statement relating to the 2020 Annual Meetings of Shareholders, which information is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### a. The following documents are filed as a part of this report:

1. The following consolidated financial statements, supplemental information and report of independent registered public accounting firm are filed as part of this report in Item 8:

Consolidated Statements of Income for the Years Ended December 31, 2019, 2018, and 2017 for each of PG&E Corporation and Pacific Gas and Electric Company.

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018, and 2017 for each of PG&E Corporation and Pacific Gas and Electric Company.

Consolidated Balance Sheets at December 31, 2019 and 2018 for each of PG&E Corporation and Pacific Gas and Electric Company.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018, and 2017 for each of PG&E Corporation and Pacific Gas and Electric Company.

Consolidated Statements of Equity for the Years Ended December 31, 2019, 2018, and 2017 for PG&E Corporation.

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2019, 2018, and 2017 for Pacific Gas and Electric Company.

Notes to the Consolidated Financial Statements.

Quarterly Consolidated Financial Data (Unaudited).

Management's Report on Internal Controls.

Reports of Independent Registered Public Accounting Firm (Deloitte & Touche LLP).

2. The following financial statement schedules are filed as part of this report:

Condensed Financial Information of Parent as of December 31, 2019 and 2018 and for the Years Ended December 31, 2019, 2018, and 2017.

Consolidated Valuation and Qualifying Accounts for each of PG&E Corporation and Pacific Gas and Electric Company for the Years Ended December 31, 2019, 2018, and 2017.

3. Exhibits required by Item 601 of Regulation S-K

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1	<a href="#"><u>Restated Articles of Incorporation of PG&amp;E Corporation effective as of May 29, 2002, as amended by the Amendment dated June 21, 2019 [Conformed Copy] (incorporated by reference to PG&amp;E Corporation's Form 10-Q for the quarter ended June 30, 2019 (File No. 1-12609), Exhibit 3.1)</u></a>
3.2	<a href="#"><u>Certificate of Determination for PG&amp;E Corporation Series A Preferred Stock filed December 22, 2000 (incorporated by reference to PG&amp;E Corporation's Form 10-K for the year ended December 31, 2000 (File No. 1-12609), Exhibit 3.2)</u></a>
3.3	<a href="#"><u>Bylaws of PG&amp;E Corporation amended as of April 10, 2019 (incorporated by reference to PG&amp;E Corporation's Form 10-Q for the quarter ended March 31, 2019 (File No. 1-12609), Exhibit 3.1)</u></a>
3.4	<a href="#"><u>Restated Articles of Incorporation of Pacific Gas and Electric Company effective as of April 12, 2004 (incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated April 12, 2004 (File No. 1-2348), Exhibit 3)</u></a>

- 3.5 [Bylaws of Pacific Gas and Electric Company, amended as of October 11, 2019 \(incorporated by reference to Pacific Gas and Electric Company's Form 10-Q for the quarter ended September 30, 2019 \(File No. 1-2348\), Exhibit 3.1\)](#)
- 4.1 [Indenture, dated as of August 6, 2018, between Pacific Gas and Electric Company and The Bank of New York Mellon Trust Company, N.A. \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated August 6, 2018 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.2 [First Supplemental Indenture, dated as of August 6, 2018, relating to the issuance by Pacific Gas and Electric Company of \\$500,000,000 aggregate principal amount of 4.25% Senior Notes due August 1, 2023 and \\$300,000,000 aggregate principal amount of 4.65% Senior Notes due August 1, 2028 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated August 6, 2018 \(File No. 1-2348\), Exhibit 4.2\)](#)
- 4.3 [Indenture, dated as of April 22, 2005, supplementing, amending and restating the Indenture of Mortgage, dated as of March 11, 2004, as supplemented by a First Supplemental Indenture, dated as of March 23, 2004, and a Second Supplemental Indenture, dated as of April 12, 2004, between Pacific Gas and Electric Company and The Bank of New York Trust Company, N.A. \(incorporated by reference to Pacific Gas and Electric Company's Form 10-Q for the quarter ended March 31, 2005 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.4 [First Supplemental Indenture, dated as of March 13, 2007, relating to the issuance of \\$700,000,000 principal amount of Pacific Gas and Electric Company's 5.80% Senior Notes due March 1, 2037 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated March 14, 2007 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.5 [Third Supplemental Indenture, dated as of March 3, 2008, relating to the issuance of \\$400,000,000 of Pacific Gas and Electric Company's 6.35% Senior Notes due February 15, 2038 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated March 3, 2008 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.6 [Sixth Supplemental Indenture, dated as of March 6, 2009, relating to the issuance of \\$550,000,000 aggregate principal amount of Pacific Gas and Electric Company's 6.25% Senior Notes due March 1, 2039 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated March 6, 2009 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.7 [Eighth Supplemental Indenture, dated as of November 18, 2009, relating to the issuance of \\$550,000,000 aggregate principal amount of Pacific Gas and Electric Company's 5.40% Senior Notes due January 15, 2040 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 18, 2009 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.8 [Ninth Supplemental Indenture, dated as of April 1, 2010, relating to the issuance of \\$250,000,000 aggregate principal amount of its 5.80% Senior Notes due March 1, 2037 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated April 1, 2010 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.9 [Tenth Supplemental Indenture, dated as of September 15, 2010, relating to the issuance of \\$550,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.50% Senior Notes due October 1, 2020 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated September 15, 2010 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.10 [Twelfth Supplemental Indenture, dated as of November 18, 2010, relating to the issuance of \\$250,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.50% Senior Notes due October 1, 2020 and \\$250,000,000 aggregate principal amount of its 5.40% Senior Notes due January 15, 2040 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 18, 2010 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.11 [Thirteenth Supplemental Indenture, dated as of May 13, 2011, relating to the issuance of \\$300,000,000 aggregate principal amount of Pacific Gas and Electric Company's 4.25% Senior Notes due May 15, 2021 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated May 13, 2011 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.12 [Fourteenth Supplemental Indenture, dated as of September 12, 2011, relating to the issuance of \\$250,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.25% Senior Notes due September 15, 2021 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated September 12, 2011 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.13 [Sixteenth Supplemental Indenture, dated as of December 1, 2011, relating to the issuance of \\$250,000,000 aggregate principal amount of Pacific Gas and Electric Company's 4.50% Senior Notes due December 15, 2041 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated December 1, 2011 \(File No. 1-2348\), Exhibit 4.1\)](#)

- 4.14 [Seventeenth Supplemental Indenture, dated as of April 16, 2012, relating to the issuance of \\$400,000,000 aggregate principal amount of Pacific Gas and Electric Company's 4.45% Senior Notes due April 15, 2042 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated April 16, 2012 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.15 [Eighteenth Supplemental Indenture, dated as of August 16, 2012, relating to the issuance of \\$400,000,000 aggregate principal amount of Pacific Gas and Electric Company's 2.45% Senior Notes due August 15, 2022 and \\$350,000,000 aggregate principal amount of its 3.75% Senior Notes due August 15, 2042 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated August 16, 2012 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.16 [Nineteenth Supplemental Indenture, dated as of June 14, 2013, relating to the issuance of \\$375,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.25% Senior Notes due June 15, 2023 and \\$375,000,000 aggregate principal amount of its 4.60% Senior Notes due June 15, 2043 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated June 14, 2013 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.17 [Twentieth Supplemental Indenture, dated as of November 12, 2013, relating to the issuance of \\$300,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.85% Senior Notes due November 15, 2023 and \\$500,000,000 aggregate principal amount of its 5.125% Senior Notes due November 15, 2043 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 12, 2013 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.18 [Twenty-First Supplemental Indenture, dated as of February 21, 2014, relating to the issuance of \\$450,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.75% Senior Notes due February 15, 2024 and \\$450,000,000 aggregate principal amount of its 4.75% Senior Notes due February 15, 2044 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated February 21, 2014 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.19 [Twenty-Third Supplemental Indenture, dated as of August 18, 2014, relating to the issuance of \\$350,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.40% Senior Notes due August 15, 2024 and \\$225,000,000 aggregate principal amount of its 4.75% Senior Notes due February 15, 2044 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated August 18, 2014 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.20 [Twenty-Fourth Supplemental Indenture, dated as of November 6, 2014, relating to the issuance of \\$500,000,000 aggregate principal amount of Pacific Gas and Electric Company's 4.30% Senior Notes due March 15, 2045 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 6, 2014 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.21 [Twenty-Fifth Supplemental Indenture, dated as of June 12, 2015, relating to the issuance of \\$400,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.50% Senior Notes due June 15, 2025 and \\$100,000,000 aggregate principal amount of its 4.30% Senior Notes due March 15, 2045 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated June 12, 2015 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.22 [Twenty-Sixth Supplemental Indenture, dated as of November 5, 2015, relating to the issuance of \\$200,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.50% Senior Notes due June 15, 2025 and \\$450,000,000 aggregate principal amount of its 4.25% Senior Notes due March 15, 2046 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 5, 2015 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.23 [Twenty-Seventh Supplemental Indenture, dated as of March 1, 2016, relating to the issuance of \\$600,000,000 aggregate principal amount of Pacific Gas and Electric Company's 2.95% Senior Notes due March 1, 2026 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated March 1, 2016 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.24 [Twenty-Eighth Supplemental Indenture, dated as of December 1, 2016, relating to the issuance of \\$250,000,000 aggregate principal amount of Pacific Gas and Electric Company's Floating Rate Senior Notes due November 30, 2017 and \\$400,000,000 aggregate principal amount of its 4.00% Senior Notes due December 1, 2046 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated December 1, 2016 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.25 [Twenty-Ninth Supplemental Indenture, dated as of March 10, 2017, relating to the issuance of \\$400,000,000 aggregate principal amount of Pacific Gas and Electric Company's 3.30% Senior Notes due March 15, 2027 and \\$200,000,000 aggregate principal amount of its 4.00% Senior Notes due December 1, 2046 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated March 10, 2017 \(File No. 1-2348\), Exhibit 4.1\)](#)

- 4.26 [Indenture, dated as of November 29, 2017, relating to the issuance of \\$500,000,000 aggregate principal amount of by Pacific Gas and Electric Company's Floating Rate Senior Notes due November 28, 2018, \\$1,150,000,000 aggregate principal amount of its 3.30% Senior Notes due December 1, 2027 and \\$850,000,000 aggregate principal amount of its 3.95% Senior Notes due December 1, 2047 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 29, 2017 \(File No. 1-2348\), Exhibit 4.1\)](#)
- 4.27 [Senior Note Indenture, dated as of February 10, 2014, between PG&E Corporation and U.S. Bank National Association \(incorporated by reference to PG&E Corporation's Form S-3 dated February 11, 2014 \(File No. 333-193880\), Exhibit 4.1\)](#)
- 4.28 [First Supplemental Indenture, dated as of February 27, 2014, relating to the issuance of \\$350,000,000 aggregate principal amount of PG&E Corporation's 2.40% Senior Notes due March 1, 2019 \(incorporated by reference to PG&E Corporation's Form 8-K dated February 27, 2014 \(File No. 1-12609\), Exhibit 4.1\)](#)
- 4.29 [Registration Rights Agreement, dated as of August 6, 2018, among Pacific Gas and Electric Company, Goldman Sachs & Co. LLC, Mizuho Securities USA LLC, RBC Capital Markets, LLC and SMBC Nikko Securities America, Inc., as representatives of the initial purchasers \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated August 6, 2018 \(File No. 1-2348\), Exhibit 4.5\)](#)
- 4.30(a) [Description of PG&E Corporation's Securities – Common Stock](#)
- 4.30(b) [Description of Pacific Gas and Electric Company's Securities – Preferred Stock](#)
- 10.1 [Senior Secured Superpriority Debtor-in-Possession Credit, Guaranty and Security Agreement, dated as of February 1, 2019, among Pacific Gas and Electric Company, PG&E Corporation, the financial institutions from time to time party thereto, as lenders and issuing lenders, JPMorgan Chase Bank, N.A., as administrative agent, and Citibank, N.A., as collateral agent \(incorporated by reference to PG&E Corporation's Form 8-K dated February 1, 2019 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.2 [Second Amended and Restated Credit Agreement, dated as of April 27, 2015, among \(1\) PG&E Corporation, as borrower, \(2\) Bank of America, N.A., as administrative agent and a lender, \(3\) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, and Wells Fargo Securities LLC, as joint lead arrangers and joint bookrunners, \(4\) Citibank N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents and lenders, \(5\) Wells Fargo Bank, National Association, as documentation agent and lender, and \(6\) the following other lenders: Barclays Bank PLC, BNP Paribas, Goldman Sachs Bank USA, Morgan Stanley Bank, N.A., Morgan Stanley Senior Funding, Inc., The Bank of New York Mellon, N.A., Mizuho Corporate Bank, Ltd., Royal Bank of Canada, U.S. Bank, National Association, MUFG Union Bank, N.A., TD Bank, N.A., Canadian Imperial Bank of Commerce, New York Branch, and Sumitomo Mitsui Banking Corporation \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2015 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.3 [Second Amended and Restated Credit Agreement dated as of April 27, 2015, among \(1\) Pacific Gas and Electric Company, as borrower, \(2\) Citibank N.A., as administrative agent and a lender, \(3\) Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, and Wells Fargo Securities LLC, as joint lead arrangers and joint bookrunners, \(4\) Bank of America, N.A. and JPMorgan Chase Bank, N.A., as co-syndication agents and lenders, \(5\) Wells Fargo Bank, National Association, as documentation agent and lender, and \(6\) the following other lenders: Barclays Bank PLC, BNP Paribas, Goldman Sachs Bank USA, Morgan Stanley Bank, N.A., Morgan Stanley Senior Funding, Inc., The Bank of New York Mellon, N.A., Mizuho Corporate Bank, Ltd., Royal Bank of Canada, U.S. Bank National Association, MUFG Union Bank, N.A., TD Bank, N.A., Canadian Imperial Bank of Commerce, New York Branch, and Sumitomo Mitsui Banking Corporation \(incorporated by reference to Pacific Gas and Electric Company's Form 10-Q for the quarter ended March 31, 2015 \(File No. 1-2348\), Exhibit 10.2\)](#)
- 10.4 [Term Loan Agreement, dated as of April 16, 2018, by and among PG&E Corporation, the several banks and other financial institutions or entities from time to time parties thereto, Mizuho Bank, Ltd., Royal Bank of Canada and Sumitomo Mitsui Banking Corporation, as joint lead arrangers and joint bookrunners and Mizuho Bank, Ltd., as administrative agent \(incorporated by reference to PG&E Corporation's Form 8-K dated April 16, 2018 \(File No. 001-12609\), Exhibit 10.1\)](#)
- 10.5 [Term Loan Agreement, dated as of February 23, 2018, by and among Pacific Gas and Electric Company, the several banks and other financial institutions or entities from time to time parties thereto, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and U.S. Bank National Association, as joint lead arrangers and joint bookrunners and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as administrative agent \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated February 23, 2018 \(File No. 001-02348\), Exhibit 10.1\)](#)

- 10.6 [Purchase Agreement, dated as of August 2, 2018, among Pacific Gas and Electric Company, Goldman Sachs & Co. LLC, Mizuho Securities USA LLC, RBC Capital Markets, LLC and SMBC Nikko Securities America, Inc. as representatives of the initial purchasers listed on Schedules I-A and I-B thereto \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated August 6, 2018 \(File No. 1-2348\), Exhibit 10.1\)](#)
- 10.7 [Purchase Agreement, dated as of November 27, 2017, among Pacific Gas and Electric Company and Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC, as representatives of the initial purchasers listed on Schedules I-A, I-B and I-C thereto \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated November 29, 2017 \(File No. 1-2348\), Exhibit 10.1\)](#)
- 10.8 [Settlement Agreement among the California Public Utilities Commission, Pacific Gas and Electric Company and PG&E Corporation, dated as of December 19, 2003, together with appendices \(incorporated by reference to PG&E Corporation's and Pacific Gas and Electric Company's Form 8-K dated December 22, 2003 \(File No. 1-12609 and File No. 1-2348\), Exhibit 99\)](#)
- 10.9 [Pacific Gas and Electric Company Commitment Letter dated October 4, 2019 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated October 11, 2019 \(File No. 1-2348\), Exhibit 10.1\)](#)
- 10.10 [PG&E Corporation Commitment Letter dated October 4, 2019 \(incorporated by reference to PG&E Corporation's Form 8-K dated October 11, 2019 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.11 [Amendment No. 1 to Pacific Gas and Electric Company Commitment Letter dated November 18, 2019](#)
- 10.12 [Amendment No. 1 to PG&E Corporation Commitment Letter dated November 18, 2019](#)
- 10.13 [Amendment No. 2 to Pacific Gas and Electric Company Commitment Letter dated December 20, 2019 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated December 20, 2019 \(File No. 1-2348\), Exhibit 10.3\)](#)
- 10.14 [Amendment No. 2 to PG&E Corporation Commitment Letter dated December 20, 2019 \(incorporated by reference to PG&E Corporation's Form 8-K dated December 20, 2019 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.15 [Amendment No. 3 to Pacific Gas and Electric Company Commitment Letter dated January 31, 2020 \(incorporated by reference to Pacific Gas and Electric Company's Form 8-K dated January 31, 2020 \(File No. 1-2348\), Exhibit 10.3\)](#)
- 10.16 [Amendment No. 3 to PG&E Corporation Commitment Letter dated January 31, 2020 \(incorporated by reference to PG&E Corporation's Form 8-K dated January 31, 2020 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.17 [Amendment No. 4 to Pacific Gas and Electric Company Commitment Letter dated February 14, 2020](#)
- 10.18 [Amendment No. 4 to PG&E Corporation Commitment Letter dated February 14, 2020](#)
- 10.18
- 10.19 \*\*\* [Form of Chapter 11 Plan Backstop Commitment Letter \(incorporated by reference to PG&E Corporation's Form 8-K dated December 20, 2019 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.20 \*\*\*\* [Restructuring Support Agreement dated as of September 22, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company, certain affiliates of American International Group, Inc., Allstate Insurance Company and certain affiliates, BG Group A Creditors, BG Group B Creditors, certain affiliates of Farmers Insurance Exchange, California Insurance Guarantee Association, Hartford Accident & Indemnity Company and certain affiliates, certain affiliates of Liberty Mutual Insurance Company, Nationwide Mutual Insurance Company and certain affiliates, State Farm Mutual Automobile Insurance Company, State Farm County Mutual Insurance Company of Texas, State Farm Fire and Casualty Company, State Farm General Insurance Company, TLF Investments, LLC \(in its capacity as holder of an economic interest in certain Subrogation Claims\), The Travelers Indemnity Company and certain of its property and casualty insurance affiliates, and certain affiliates of United Services Automobile Association \(incorporated by reference to PG&E Corporation's Form 8-K dated September 22, 2019 \(File No. 1-12609, Exhibit 10.1\)](#)
- 10.21 \*\*\*\* [First Amendment to Restructuring Support Agreement dated as of October 24, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)



- 10.22 \*\*\*\* [Amended and Restated Restructuring Support Agreement dated as of November 1, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company, certain affiliates of American International Group, Inc., BG Group A Creditors, BG Group B Creditors, certain affiliates of Farmers Insurance Exchange, California Insurance Guarantee Association, Hartford Accident & Indemnity Company and certain affiliates, certain affiliates of Liberty Mutual Insurance Company, Nationwide Mutual Insurance Company and certain affiliates, State Farm Mutual Automobile Insurance Company, State Farm County Mutual Insurance Company of Texas, State Farm General Insurance Company, TLF Investments, LLC \(in its capacity as holder of an economic interest in certain Subrogation Claims\), The Travelers Indemnity Company and certain of its property and casualty insurance affiliates, and certain affiliates of United Services Automobile Association](#)
- 10.23 \*\*\*\* [First Amendment to Amended and Restated Restructuring Support Agreement, dated as of November 13, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)
- 10.24 \*\*\*\* [Second Amendment to Amended and Restated Restructuring Support Agreement, dated as of November 18, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)
- 10.25 \*\*\*\* [Third Amendment to Amended and Restated Restructuring Support Agreement, dated as of December 6, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)
- 10.26 \*\*\*\* [Fourth Amendment to Amended and Restated Restructuring Support Agreement, dated as of December 10, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)
- 10.27 \*\*\*\* [Fifth Amendment to Amended and Restated Restructuring Support Agreement, dated as of December 16, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)
- 10.28 \*\*\*\* [Sixth Amendment to Amended and Restated Restructuring Support Agreement, dated as of December 18, 2019, among PG&E Corporation and Pacific Gas and Electric Company and the Requisite Consenting Creditors](#)
- 10.29 [Restructuring Support Agreement dated as of December 6, 2019, by and among PG&E Corporation and Pacific Gas and Electric Company, the Official Committee of Tort Claimants, the attorneys and other advisors and agents for holders of Fire Victim Claims that are signatories to the RSA, and certain funds and accounts managed or advised by Abrams Capital Management, LP and certain funds and accounts managed or advised by Knighthead Capital Management, LLC \(incorporated by reference to PG&E Corporation's Form 8-K dated December 6, 2019 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.30 [First Amendment to the Restructuring Support Agreement, dated as of December 16, 2019, by and among PG&E Corporation and Pacific Gas and Electric Company, the Shareholder Proponents and the Requisite Consenting Fire Claimant Professionals \(incorporated by reference to PG&E Corporation's Form 8-K dated December 16, 2019 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.31 [Restructuring Support Agreement dated as of January 22, 2020, by and among PG&E Corporation and Pacific Gas and Electric Company, the holders of senior unsecured debt of Pacific Gas and Electric Company that are signatories to the RSA, and certain funds and accounts managed or advised by Abrams Capital Management, LP and certain funds and accounts managed or advised by Knighthead Capital Management, LLC \(incorporated by reference to PG&E Corporation's Form 8-K dated January 23, 2020 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.32 [Agency Appointment and Assumption Agreement dated as of September 13, 2019, by and among Wilmington Trust, National Association, in its capacity as Successor Agent, PG&E Corporation, as borrower, and the Lenders signatory thereto, constituting the Required Lenders \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2019 \(File No. 1-12609\), Exhibit 10.6\)](#)
- 10.33 [Plan Support Agreement as to Plan Treatment of Public Entities' Wildfire Claims dated as of June 18, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company, the City of Clearlake, the City of Napa, the City of Santa Rosa, the County of Lake, the Lake County Sanitation District, the County of Mendocino, Napa County, the County of Nevada, the County of Sonoma, the Sonoma County Agricultural Preservation and Open Space District, the Sonoma County Community Development Commission, the Sonoma County Water Agency, the Sonoma Valley County Sanitation District and the County of Yuba \(incorporated by reference to PG&E Corporation's Form 8-K dated June 18, 2019 \(File No. 1-12609\), Exhibit 10.1\)](#)

- 10.34 [Plan Support Agreement as to Plan Treatment of Public Entity's Wildfire Claims dated as of June 18, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company and the Town of Paradise \(incorporated by reference to PG&E Corporation's Form 8-K dated June 18, 2019 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.35 [Plan Support Agreement as to Plan Treatment of Public Entity's Wildfire Claims dated as of June 18, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company and the County of Butte \(incorporated by reference to PG&E Corporation's Form 8-K dated June 18, 2019 \(File No. 1-12609\), Exhibit 10.3\)](#)
- 10.36 [Plan Support Agreement as to Plan Treatment of Public Entity's Wildfire Claims dated as of June 18, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company and the Paradise Recreation & Park District \(incorporated by reference to PG&E Corporation's Form 8-K dated June 18, 2019 \(File No. 1-12609\), Exhibit 10.4\)](#)
- 10.37 [Plan Support Agreement as to Plan Treatment of Public Entity's Wildfire Claims dated as of June 18, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company and the County of Yuba \(incorporated by reference to PG&E Corporation's Form 8-K dated June 18, 2019 \(File No. 1-12609\), Exhibit 10.5\)](#)
- 10.38 [Plan Support Agreement as to Plan Treatment of Public Entity's Wildfire Claims dated as of June 18, 2019, by and among PG&E Corporation, Pacific Gas and Electric Company and the Calaveras County Water District \(incorporated by reference to PG&E Corporation's Form 8-K dated June 18, 2019 \(File No. 1-12609\), Exhibit 10.6\)](#)
- 10.39 [Settlement Agreement, dated April 22, 2019, by and between PG&E Corporation and BlueMountain Capital Management, LLC \(incorporated by reference to PG&E Corporation's Form 8-K dated April 22, 2019 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.40 [Amendment No. 1 to Settlement Agreement, dated September 3, 2019, by and between PG&E Corporation and BlueMountain Capital Management, LLC \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2019, Exhibit 10.1\)](#)
- 10.41 [Transmission Control Agreement among the California Independent System Operator \(CAISO\) and the Participating Transmission Owners, including Pacific Gas and Electric Company, effective as of March 31, 1998, as amended \(CAISO, FERC Electric Tariff No. 7\) \(incorporated by reference to PG&E Corporation's and Pacific Gas and Electric Company's Form 10-K for the year ended December 31, 2004 \(File No. 1-12609 and File No. 1-2348\), Exhibit 10.8\)](#)
- 10.42 \* [Performance Based Stock Option Agreement between William D. Johnson and PG&E Corporation for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.43 \* [Performance Share Agreement subject to financial goals between William D. Johnson and PG&E Corporation dated August 14, 2019 for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.44 \* [Performance Share Agreement subject to customer affordability goals between William D. Johnson and PG&E Corporation dated August 14, 2019 for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.45 \* [Performance Share Agreement subject to safety goals between William D. Johnson and PG&E Corporation dated August 14, 2019 for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.46 \* [Restricted Stock Unit Agreement between William D. Johnson and PG&E Corporation for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.47 \* [Restricted Stock Unit Agreement between Andrew M. Vesey and PG&E Corporation for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.48 \* [Offer Letter between Pacific Gas and Electric Company and Andrew M. Vesey dated July 30, 2019 \(incorporated by reference to Pacific Gas and Electric's Form 10-Q for the quarter ended September 30, 2019 \(File No. 1-2348\), Exhibit 10.7\)](#)
- 10.49 \* [Performance Share Agreement subject to financial goals between Andrew M. Vesey and PG&E Corporation dated November 12, 2019 for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.50 \* [Performance Share Agreement subject to customer affordability goals between Andrew M. Vesey and PG&E Corporation dated November 12, 2019 for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)

- 10.51 \* [Performance Share Agreement subject to safety goals between Andrew M. Vesey and PG&E Corporation dated November 12, 2019 for 2019 grant under the PG&E Corporation 2014 Long-Term Incentive Plan](#)
- 10.52 \* [Form of Director and Officer Indemnification Agreement \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2019 \(File No. 1-12609\), Exhibit 10.8\)](#)
- 10.53 \* [PG&E Corporation Supplemental Executive Retirement Plan, as amended effective as of June 3, 2019 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2019 \(File No. 1-12609\), Exhibit 10.9\)](#)
- 10.54 \* [PG&E Corporation Defined Contribution Executive Supplemental Retirement Plan, as amended effective as of June 3, 2019 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2019 \(File No. 1-12609\), Exhibit 10.10\)](#)
- 10.55 \* [Letter regarding Compensation Agreement between Pacific Gas and Electric Company and David S. Thomason dated May 24, 2016 \(incorporated by reference to Pacific Gas and Electric Company's Form 10-Q for the quarter ended June 30, 2016 \(File No. 1-2348\), Exhibit 10.2\)](#)
- 10.56 \* [Non-Annual Restricted Stock Unit Award Agreement between PG&E Corporation and David S. Thomason dated August 8, 2016 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2016 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.57 \* [Performance Share Award Agreement subject to financial goals between David S. Thomason and PG&E Corporation dated August 8, 2016 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2016 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.58 \* [Performance Share Award Agreement subject to safety and customer affordability goals between David S. Thomason and PG&E Corporation dated August 8, 2016 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2016 \(File No. 1-12609\), Exhibit 10.3\)](#)
- 10.59 \* [Non-Annual Restricted Stock Unit Award Agreement between PG&E Corporation and Janet Loduca dated December 3, 2018 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2018 \(File No. 1-12609\), Exhibit 10.27\)](#)
- 10.60 \* [PG&E Corporation Supplemental Retirement Savings Plan amended effective as of September 19, 2001, and frozen after December 31, 2004 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2004\) \(File No. 1-12609\), Exhibit 10.10\)](#)
- 10.61 \* [PG&E Corporation 2005 Supplemental Retirement Savings Plan, as amended effective September 15, 2015 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2015 \(File No. 1-12609\), Exhibit 10.3\)](#)
- 10.62 \* [Description of Short-Term Incentive Plan for Officers of PG&E Corporation and its subsidiaries, effective January 1, 2018 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2018 \(File No. 1-12609\), Exhibit 10.03\)](#)
- 10.63 \* [Amendment to PG&E Corporation Short-Term Incentive Programs and Other Bonus Programs, effective January 1, 2009 \(amendment to comply with Internal Revenue Code Section 409A regulations\) \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2008 \(File No. 1-12609\), Exhibit 10.27\)](#)
- 10.64 \* [Amendment to Pacific Gas and Electric Company Short-Term Incentive Programs and Other Bonus Programs, effective January 1, 2009 \(amendment to comply with Internal Revenue Code Section 409A regulations\) \(incorporated by reference to Pacific Gas and Electric Company's Form 10-K for the year ended December 31, 2008 \(File No. 1-2348\), Exhibit 10.28\)](#)
- 10.65 \* [PG&E Corporation Supplemental Executive Retirement Plan, as amended effective as of January 1, 2013 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2012 \(File No. 1-12609\), Exhibit 10.31\)](#)
- 10.66 \* [PG&E Corporation Defined Contribution Executive Supplemental Retirement Plan, as amended effective September 17, 2013 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2013 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.67 \* [Pacific Gas and Electric Company Relocation Assistance Program for Officers \(incorporated by reference to Pacific Gas and Electric Company's Form 10-K for the year ended December 31, 2015 \(File No. 1-2348\), Exhibit 10.38\)](#)
- 10.68 \* [Amendment to the Postretirement Life Insurance Plan of Pacific Gas and Electric Company, effective February 16, 2016 \(incorporated by reference to Pacific Gas and Electric Company's Form 10-Q for the quarter ended March 31, 2016 \(File No. 1-2348\), Exhibit 10.4\)](#)

- 10.69 \* [Amendment to the Postretirement Life Insurance Plan of Pacific Gas and Electric Company, effective February 6, 2015 \(incorporated by reference to Pacific Gas and Electric Company's Form 10-K for the year ended December 31, 2014 \(File No. 1-2348\), Exhibit 10.37\)](#)
- 10.70 \* [Postretirement Life Insurance Plan of Pacific Gas and Electric Company, as amended and restated on February 14, 2012 \(incorporated by reference to Pacific Gas and Electric Company's Form 10-Q for the quarter ended March 31, 2012 \(File No. 1-2348\), Exhibit 10.7\)](#)
- 10.71 \* [PG&E Corporation Non-Employee Director Stock Incentive Plan \(a component of the PG&E Corporation Long-Term Incentive Program\) as amended effective as of July 1, 2004 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2004 \(File No. 1-12609\), Exhibit 10.27\)](#)
- 10.72 \* [PG&E Corporation 2014 Long-Term Incentive Plan effective May 12, 2014 and amended effective January 1, 2018 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2017 \(File No. 1-12609\), Exhibit 10.54\)](#)
- 10.73 \* [PG&E Corporation 2006 Long-Term Incentive Plan, as amended effective January 1, 2013 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2012 \(File No. 1-12609\), Exhibit 10.40\)](#)
- 10.74 \* [PG&E Corporation Long-Term Incentive Program \(including the PG&E Corporation Stock Option Plan and Performance Unit Plan\), as amended effective as of May 16, 2001 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2001 \(File No. 1-12609\), Exhibit 10\)](#)
- 10.75 \* [Form of Restricted Stock Unit Agreement for 2018 grants to non-employee directors under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2018 \(File No. 1-12609\), Exhibit 10.04\)](#)
- 10.76 \* [Form of Restricted Stock Unit Agreement for 2018 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2018 \(File No. 1-12609\), Exhibit 10.07\)](#)
- 10.77 \* [Form of Restricted Stock Unit Agreement for 2017 grants to non-employee directors under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2017 \(File No. 1-12609\), Exhibit 10.07\)](#)
- 10.78 \* [Form of Restricted Stock Unit Agreement for 2016 grants to non-employee directors under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2016 \(File No. 1-12609\), Exhibit 10.1\)](#)
- 10.79 \* [Form of Restricted Stock Unit Agreement for 2017 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2017 \(File No. 1-12609\), Exhibit 10.01\)](#)
- 10.80 \* [Form of Restricted Stock Unit Agreement for 2016 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2016 \(File No. 1-12609\), Exhibit 10.55\)](#)
- 10.81 \* [Form of Stock Option Agreement for 2018 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2018 \(File No. 1-12609\), Exhibit 10.08\)](#)
- 10.82 \* [Form of Non-Qualified Stock Option Agreement under the PG&E Corporation Long-Term Incentive Program \(incorporated by reference to PG&E Corporation's Form 8-K dated January 6, 2005 \(File No. 1-12609\), Exhibit 99.1\)](#)
- 10.83 \* [Form of Stock Award Agreement for 2019 grants to non-employee directors under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended February 6, 2020](#)
- 10.84 \* [Form of Performance Share Agreement subject to financial goals for 2018 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2018 \(File No. 1-12609\), Exhibit 10.04\)](#)
- 10.85 \* [Form of Performance Share Agreement subject to safety goals for 2018 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2018 \(File No. 1-12609\), Exhibit 10.05\)](#)
- 10.86 \* [Form of Performance Share Agreement subject to total shareholder return goals for 2018 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended March 31, 2018 \(File No. 1-12609\), Exhibit 10.06\)](#)

- 10.87 \* [Form of Performance Share Agreement subject to total shareholder return goals for 2017 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2017 \(File No. 1-12609\), Exhibit 10.02\)](#)
- 10.88 \* [Form of Performance Share Agreement subject to financial goals for 2016 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2016 \(File No. 1-12609\), Exhibit 10.61\)](#)
- 10.89 \* [Form of Performance Share Agreement subject to safety and financial goals for 2017 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2017 \(File No. 1-12609\), Exhibit 10.03\)](#)
- 10.90 \* [Form of Performance Share Agreement subject to safety and customer affordability goals for 2016 grants under the PG&E Corporation 2014 Long-Term Incentive Plan \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2016 \(File No. 1-12609\), Exhibit 10.63\)](#)
- 10.91 \* [PG&E Corporation 2010 Executive Stock Ownership Guidelines as adopted on September 14, 2010 and effective January 1, 2011 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2010 \(File No. 1-12609\), Exhibit 10.3\)](#)
- 10.92 \* [PG&E Corporation Executive Stock Ownership Program Guidelines as amended effective September 15, 2010 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2010 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.93 \* [PG&E Corporation 2012 Officer Severance Policy, as amended effective as of May 12, 2014 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended June 30, 2014 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.94 \* [PG&E Corporation Golden Parachute Restriction Policy effective as of February 15, 2006 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2005 \(File No. 1-12609\), Exhibit 10.49\)](#)
- 10.95 \* [Amendment to PG&E Corporation Golden Parachute Restriction Policy dated December 31, 2008 \(amendment to comply with Internal Revenue Code Section 409A Regulations\) \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2008 \(File No. 1-12609\), Exhibit 10.58\)](#)
- 10.96 \* [Amended and Restated PG&E Corporation Director Grantor Trust Agreement dated October 1, 2015 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2015 \(File No. 1-12609\), Exhibit 10.01\)](#)
- 10.97 \* [Amended and Restated PG&E Corporation Officer Grantor Trust Agreement dated October 1, 2015 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2015 \(File No. 1-12609\), Exhibit 10.2\)](#)
- 10.98 \* [PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy effective February 21, 2018 \(incorporated by reference to PG&E Corporation's Form 10-Q for the quarter ended September 30, 2018 \(File No. 1-12609\), Exhibit 10.04\)](#)
- 10.99 \* [Resolution of the Board of Directors of PG&E Corporation regarding indemnification of officers and directors dated December 18, 1996 \(incorporated by reference to PG&E Corporation's Form 10-K for the year ended December 31, 2004 \(File No. 1-12609\), Exhibit 10.40\)](#)
- 10.100 \* [Resolution of the Board of Directors of Pacific Gas and Electric Company regarding indemnification of officers and directors dated July 19, 1995 \(incorporated by reference to Pacific Gas and Electric Company's Form 10-K for the year ended December 31, 2004 \(File No. 1-2348\), Exhibit 10.41\)](#)
- 21 [Subsidiaries of the Registrant](#)
- 23.1 [PG&E Corporation Consent of Independent Registered Public Accounting Firm \(Deloitte & Touche LLP\)](#)
- 24 [Powers of Attorney](#)
- 31.1 [Certifications of the Chief Executive Officer and the Chief Financial Officer of PG&E Corporation required by Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certifications of the Chief Executive Officer and the Chief Financial Officer of Pacific Gas and Electric Company required by Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 \*\* [Certifications of the Chief Executive Officer and the Chief Financial Officer of PG&E Corporation required by Section 906 of the Sarbanes-Oxley Act of 2002](#)

32.2	**	<a href="#">Certifications of the Chief Executive Officer and the Chief Financial Officer of Pacific Gas and Electric Company required by Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS		XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH		XBRL Taxonomy Extension Schema Document
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB		XBRL Taxonomy Extension Labels Linkbase Document
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document
104		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
<hr/>		
*		Management contract or compensatory agreement.
**		Pursuant to Item 601(b)(32) of SEC Regulation S-K, these exhibits are furnished rather than filed with this report.
***		This Form of Chapter 11 Plan Backstop Commitment Letter is substantially similar in all material respects to each Chapter 11 Plan Backstop Commitment Letter that is otherwise required to be filed as an exhibit, except as to the Backstop Party and the amount of such Backstop Party's Backstop Commitment Amount (as defined in the Chapter 11 Plan Backstop Commitment Letter). In accordance with instruction no. 2 to Item 601 of Regulation S-K, the registrant has filed the form of such Chapter 11 Plan Backstop Commitment Letter, with a schedule identifying the Chapter 11 Plan Backstop Commitment Letters omitted and setting forth the material details in which each Chapter 11 Plan Backstop Commitment Letter differs from the form that was filed. The registrant acknowledges that the Securities and Exchange Commission may at any time in its discretion require filing of copies of any Chapter 11 Plan Backstop Commitment Letter so omitted.
****		In accordance with Item 601(a)(5) of Regulation S-K, certain schedules or similar attachments to this exhibit have been omitted from this filing. Such omitted schedules or similar attachments include information about the Subrogation Claims held by each Consenting Subrogation Creditor. The registrant agrees to furnish a supplemental copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this Annual Report on Form 10-K for the year ended December 31, 2019 to be signed on their behalf by the undersigned, thereunto duly authorized.**

**Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.**

PG&E CORPORATION  
(Registrant)

PACIFIC GAS AND ELECTRIC COMPANY  
(Registrant)

/s/ WILLIAM D. JOHNSON

/s/ ANDREW M. VESEY

William D. Johnson

Andrew M. Vesey

By: Chief Executive Officer and President

By: Chief Executive Officer and President

Date: February 18, 2020

Date: February 18, 2020

**Signature**

**Title**

**Date**

**A. Principal Executive Officers**

/s/ WILLIAM D. JOHNSON

Chief Executive Officer and President  
(PG&E Corporation)

February 18, 2020

William D. Johnson

/s/ ANDREW M. VESEY

Chief Executive Officer and President  
(Pacific Gas and Electric Company)

February 18, 2020

Andrew M. Vesey

/s/ JASON P. WELLS

Executive Vice President and Chief Financial Officer  
(PG&E Corporation)

February 18, 2020

Jason P. Wells

/s/ DAVID S. THOMASON

Vice President, Chief Financial Officer, and  
Controller (Pacific Gas and Electric Company)

February 18, 2020

David S. Thomason

**C. Principal Accounting Officer**

/s/ DAVID S. THOMASON

Vice President, Chief Financial Officer, and  
Controller (Pacific Gas and Electric Company)

February 18, 2020

David S. Thomason

**D. Directors (PG&E Corporation and Pacific Gas and Electric Company, unless otherwise noted)**

* /s/ RICHARD R. BARRERA	Director	February 18, 2020
Richard R. Barrera		
* /s/ JEFFREY L. BLEICH	Director	February 18, 2020
Jeffrey L. Bleich	Chair of the Board (Pacific Gas and Electric Company)	
* /s/ NORA MEAD BROWNELL	Director	February 18, 2020
Nora Mead Brownell	Chair of the Board (PG&E Corporation)	
* /s/ CHERYL F. CAMPBELL	Director	February 18, 2020
Cheryl F. Campbell		
* /s/ FRED J. FOWLER	Director	February 18, 2020
Fred J. Fowler		
* /s/ WILLIAM D. JOHNSON	Director	February 18, 2020
William D. Johnson		
* /s/ MICHAEL J. LEFFELL	Director	February 18, 2020
Michael J. Leffell		
* /s/ DOMINIQUE MIELLE	Director	February 18, 2020
Dominique Mielle		
* /s/ MERIDEE A. MOORE	Director	February 18, 2020
Meridee A. Moore		
* /s/ ERIC D. MULLINS	Director	February 18, 2020
Eric D. Mullins		
* /s/ KRISTINE M. SCHMIDT	Director	February 18, 2020
Kristine M. Schmidt		



* /s/ WILLIAM L. SMITH _____ William L. Smith	Director	February 18, 2020
* /s/ ANDREW M. VESEY _____ Andrew M. Vesey	Director (Pacific Gas and Electric Company)	February 18, 2020
* /s/ ALEJANDRO D. WOLFF _____ Alejandro D. Wolff	Director	February 18, 2020
* /s/ JOHN M. WOOLARD _____ John M. Woolard	Director	February 18, 2020
*By: /s/ JANET C. LODUCA _____ Janet C. Loduca, Attorney-in-Fact		February 18, 2020

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF PARENT**  
**CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

<b>(in millions, except per share amounts)</b>	<b>Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Administrative service revenue	\$ 138	\$ 90	\$ 63
Operating expenses	(114)	(91)	(5)
Interest income	1	2	1
Interest expense	(21)	(15)	(11)
Other income (expense)	10	(2)	4
Reorganization items, net	(26)	—	—
Equity in earnings of subsidiaries	(7,622)	(6,832)	1,667
Income before income taxes	(7,634)	(6,848)	1,719
Income tax provision (benefit)	8	3	73
<b>Net income (loss)</b>	<b>\$ (7,642)</b>	<b>\$ (6,851)</b>	<b>\$ 1,646</b>
<b>Other Comprehensive Income (Loss)</b>			
Pension and other postretirement benefit plans obligations (net of taxes of \$0, \$0, and \$0, at respective dates)	\$ (1)	\$ 4	\$ 1
Total other comprehensive income (loss)	(1)	4	1
<b>Comprehensive Income (Loss)</b>	<b>\$ (7,643)</b>	<b>\$ (6,847)</b>	<b>\$ 1,647</b>
<b>Weighted Average Common Shares Outstanding, Basic</b>	<b>528</b>	<b>517</b>	<b>512</b>
<b>Weighted Average Common Shares Outstanding, Diluted</b>	<b>528</b>	<b>513</b>	<b>513</b>
<b>Net earnings (loss) per common share, basic</b>	<b>\$ (14.50)</b>	<b>\$ (13.25)</b>	<b>\$ 3.21</b>
<b>Net earnings (loss) per common share, diluted</b>	<b>\$ (14.50)</b>	<b>\$ (13.25)</b>	<b>\$ 3.21</b>

PG&E CORPORATION  
(DEBTOR-IN-POSSESSION)  
SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF PARENT — (Continued)  
CONDENSED BALANCE SHEETS

(in millions)	Balance at December 31,	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 448	\$ 373
Advances to affiliates	120	44
Income taxes receivable	12	18
Other current assets	11	—
<b>Total current assets</b>	<b>591</b>	<b>435</b>
<b>Noncurrent Assets</b>		
Equipment	2	2
Accumulated depreciation	(2)	(2)
<b>Net equipment</b>	<b>—</b>	<b>—</b>
Investments in subsidiaries	5,102	12,722
Other investments	173	162
Intercompany receivable	—	—
Operating lease right of use asset	6	—
Deferred income taxes	187	187
<b>Total noncurrent assets</b>	<b>5,468</b>	<b>13,071</b>
<b>Total Assets</b>	<b>\$ 6,059</b>	<b>\$ 13,506</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	—	300
Long-term debt, classified as current	—	350
Accounts payable – other	47	16
Operating lease liabilities	3	—
Other current liabilities	3	17
<b>Total current liabilities</b>	<b>53</b>	<b>683</b>
<b>Noncurrent Liabilities</b>		
Debtor-in-possession financing	—	—
Operating lease liabilities	3	—
Other noncurrent liabilities	58	172
<b>Total noncurrent liabilities</b>	<b>61</b>	<b>172</b>
<b>Liabilities Subject to Compromise</b>	<b>810</b>	<b>—</b>
<b>Common Shareholders' Equity</b>		
Common stock	13,038	12,910
Reinvested earnings	(7,893)	(250)
Accumulated other comprehensive income (loss)	(10)	(9)
<b>Total common shareholders' equity</b>	<b>5,135</b>	<b>12,651</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 6,059</b>	<b>\$ 13,506</b>

**PG&E CORPORATION**  
**(DEBTOR-IN-POSSESSION)**  
**SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PARENT – (Continued)**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(in millions)**

	Year ended December 31,		
	2019	2018	2017
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ (7,642)	\$ (6,851)	\$ 1,646
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation amortization	43	78	20
Equity in earnings of subsidiaries	7,622	6,833	(1,667)
Deferred income taxes and tax credits-net	—	(62)	139
Reorganization items, net (Note 2)	11	—	—
Current income taxes receivable/payable	6	9	(2)
Liabilities subject to compromise	28	—	—
Other	(62)	41	(75)
<b>Net cash provided by operating activities</b>	<b>6</b>	<b>48</b>	<b>61</b>
<b>Cash Flows From Investing Activities:</b>			
Investment in subsidiaries	—	(45)	(455)
Dividends received from subsidiaries <sup>(1)</sup>	—	—	784
<b>Net cash provided by (used in) investing activities</b>	<b>—</b>	<b>(45)</b>	<b>329</b>
<b>Cash Flows From Financing Activities:</b>			
Debtor-in-possession credit facility debt issuance costs	(16)	—	—
Borrowings under revolving credit facility	—	425	—
Repayments under revolving credit facility	—	(125)	—
Net issuances (repayments) of commercial paper, net of discount of \$1 in 2017	—	(132)	132
Short-term debt financing	—	350	—
Long-term debt matured or repurchased	—	(350)	—
Common stock issued	85	200	395
Common stock dividends paid <sup>(2)</sup>	—	—	(1,021)
<b>Net cash provided by (used in) financing activities</b>	<b>69</b>	<b>368</b>	<b>(494)</b>
<b>Net change in cash and cash equivalents</b>	<b>75</b>	<b>371</b>	<b>(104)</b>
<b>Cash and cash equivalents at January 1</b>	<b>373</b>	<b>2</b>	<b>106</b>
<b>Cash and cash equivalents at December 31</b>	<b>\$ 448</b>	<b>\$ 373</b>	<b>\$ 2</b>
<b>Supplemental disclosures of cash flow information</b>			
Cash received (paid) for:			
Interest, net of amounts capitalized	\$ (3)	\$ (13)	\$ (9)
Income taxes, net	—	10	—
<b>Supplemental disclosures of noncash investing and financing activities</b>			
Common stock dividends declared but not yet paid	\$ —	\$ —	\$ —
Noncash common stock issuances	—	—	21
Operating lease liabilities arising from obtaining ROU assets	9	—	—

<sup>(1)</sup> Because of its nature as a holding company, PG&E Corporation classifies dividends received from subsidiaries as an investing cash flow. On December 20, 2017, the Board of Directors of the Utility suspended quarterly cash dividends on the Utility's common stock, beginning the fourth quarter of 2017.

<sup>(2)</sup> On December 20, 2017, the Board of Directors of PG&E Corporation suspended quarterly cash dividends on PG&E Corporation's common stock, beginning the fourth quarter of 2017. In July and October of 2017, respectively, PG&E Corporation paid quarterly common stock dividends of \$0.53 per share. In January and April of 2017, respectively, PG&E Corporation paid quarterly common stock dividends of \$0.49 per share.

PG&E CORPORATION  
(DEBTOR-IN-POSSESSION)  
SCHEDULE II – CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS  
For the Years Ended December 31, 2019, 2018, and 2017

(in millions)

Description	Balance at Beginning of Period	Additions		Deductions <sup>(2)</sup>	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>Valuation and qualifying accounts deducted from assets:</b>					
2019:					
Allowance for uncollectible accounts <sup>(1)</sup>	\$ 56	\$ —	\$ —	\$ 13	\$ 43
2018:					
Allowance for uncollectible accounts <sup>(1)</sup>	\$ 64	\$ 34	\$ —	\$ 42	\$ 56
2017:					
Allowance for uncollectible accounts <sup>(1)</sup>	\$ 58	\$ 55	\$ —	\$ 49	\$ 64

<sup>(1)</sup> Allowance for uncollectible accounts is deducted from "Accounts receivable - Customers."

<sup>(2)</sup> Deductions consist principally of write-offs, net of collections of receivables previously written off.

PACIFIC GAS AND ELECTRIC COMPANY  
(DEBTOR-IN-POSSESSION)  
SCHEDULE II – CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS  
For the Years Ended December 31, 2019, 2018, and 2017

(in millions)

Description	Balance at Beginning of Period	Additions		Deductions <sup>(2)</sup>	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>Valuation and qualifying accounts deducted from assets:</b>					
2019:					
Allowance for uncollectible accounts <sup>(1)</sup>	\$ 56	\$ —	\$ —	\$ 13	\$ 43
2018:					
Allowance for uncollectible accounts <sup>(1)</sup>	\$ 64	\$ 34	\$ —	\$ 42	\$ 56
2017:					
Allowance for uncollectible accounts <sup>(1)</sup>	\$ 58	\$ 55	\$ —	\$ 49	\$ 64

<sup>(1)</sup> Allowance for uncollectible accounts is deducted from "Accounts receivable - Customers."

<sup>(2)</sup> Deductions consist principally of write-offs, net of collections of receivables previously written off.

**DESCRIPTION OF PG&E CORPORATION'S SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

**Description of Common Stock**

The following description of PG&E Corporation's common stock (the "Common Stock") is only a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to applicable law, our Amended and Restated Articles of Incorporation effective as of June 21, 2019 (the "Articles of Incorporation") and our Bylaws amended as of April 10, 2019 (the "Bylaws"), each of which is filed as an exhibit to this Annual Report on Form 10-K and is incorporated by reference herein. We encourage you to read the Articles of Incorporation and the Bylaws for additional information.

In this section, references to "we," "our," "ours" and "us" refer only to PG&E Corporation and not to any of its direct or indirect subsidiaries or affiliates except as expressly provided.

**General**

Our Articles of Incorporation authorize the issuance of 800,000,000 shares of Common Stock and 85,000,000 shares of preferred stock. As of December 31, 2019, there were approximately 529,229,517 shares of our Common Stock, no par value, outstanding and no shares of preferred stock outstanding. All outstanding shares of our Common Stock are fully paid and nonassessable.

We may issue our Common Stock from time to time upon such terms and for such consideration as may be determined by our Board of Directors. Such further issuances, up to the aggregate amounts authorized by our Articles of Incorporation, will not require approval by our shareholders. We may also issue Common Stock from time to time under dividend reinvestment and employee benefit plans.

**Voting Rights**

Except as otherwise provided by law, holders of our Common Stock have voting rights on the basis of one vote per share on each matter submitted to a vote at a meeting of shareholders, subject to any class or series voting rights of holders of our preferred stock. Our shareholders may not cumulate votes in elections of directors. As a result, the holders of our Common Stock and (if issued) preferred stock entitled to exercise more than 50% of the voting rights in an election of directors can elect all of the directors to be elected if they choose to do so. In such event, the holders of the remaining Common Stock and preferred stock voting for the election of directors will not be able to elect any persons to the Board of Directors.

**Dividend Rights**

Holders of our Common Stock, subject to any prior rights or preferences of preferred stock outstanding, have equal rights to receive dividends if and when declared by our Board of Directors out of funds legally available therefor.

**Liquidation Rights**

In the event of our liquidation, dissolution or winding up and after payment of all prior claims, holders of our Common Stock would be entitled to receive any of our remaining assets, subject to any preferential rights of holders of outstanding shares of preferred stock.

**Conversion, Redemption and Preemptive Rights**

Holders of our Common Stock have no preemptive rights to subscribe for additional shares of Common Stock or any of our other securities, nor do holders of our Common Stock have any redemption or conversion rights.

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## **Listing**

Our Common Stock is listed on the New York Stock Exchange under the symbol "PCG."

## **Transfer Agent and Registrar**

The transfer agent and registrar for our Common Stock is Wells Fargo Shareowner Services, a division of Wells Fargo Bank, N.A.

## **Limitations on Rights of Holders of Common Stock - Preferred Stock**

The rights of holders of Common Stock may be materially limited or qualified by the rights of holders of preferred stock that we may issue in the future. Set forth below is a description of PG&E Corporation's authority to issue preferred stock and the possible terms of that stock.

Our Board of Directors is authorized, pursuant to our Articles of Incorporation, to issue up to 85,000,000 shares of preferred stock in one or more series and to fix and determine the number of shares of preferred stock of any series, to determine the designation of any such series, to increase or decrease the number of shares of any such series subsequent to the issue of shares of that series, and to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any such series.

Prior to the issuance of shares of each series of our preferred stock, our Board of Directors is required to adopt resolutions and file a certificate of determination with the Secretary of State of the State of California. The certificate of determination will fix for each series the designation and number of shares and the rights, preferences, privileges and restrictions of the shares including, but not limited to, the following:

- the title and stated value of the preferred stock;
  - voting rights, if any, of the preferred stock;
  - any rights and terms of redemption (including sinking fund provisions);
  - the dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation applicable to the preferred stock;
  - whether dividends are cumulative or non-cumulative and, if cumulative, the date from which dividends on the preferred stock will accumulate;
  - the relative ranking and preferences of the preferred stock as to dividend rights and rights upon the liquidation, dissolution or winding up of our affairs;
  - the terms and conditions, if applicable, upon which the preferred stock will be convertible into our Common Stock, including the conversion price (or manner of calculation) and conversion period;
  - the provision for redemption, if applicable, of the preferred stock;
  - the provisions for a sinking fund, if any, for the preferred stock;
  - liquidation preferences;
  - any limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with the class or series of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs; and
  - any other specific terms, preferences, rights, limitations or restrictions of the preferred stock.
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All shares of preferred stock will, when issued, be fully paid and nonassessable and will not have any preemptive or similar rights.

In addition to the terms listed above, we will set forth in a prospectus supplement the following terms relating to the class or series of preferred stock being offered:

- the number of shares of preferred stock offered, the liquidation preference per share and the offering price of the preferred stock;
- the procedures for any auction and remarketing, if any, for the preferred stock;
- any listing of the preferred stock on any securities exchange; and
- a discussion of any material and/or special United States federal income tax considerations applicable to the preferred stock.

Until our Board of Directors determines the rights of the holders of a series of preferred stock, we cannot predict the effect of the issuance of any shares of such series of preferred stock upon the rights of holders of our Common Stock. However, the effect could include one or more of the following:

- restricting dividends on our Common Stock;
- diluting the voting power of our Common Stock;
- impairing the liquidation rights of our Common Stock; or
- delaying or preventing a change in control of us without further action by our shareholders.

Our preferred stock, if issued, would rank, with respect to dividends and upon our liquidation, dissolution or winding up:

- senior to all classes or series of our Common Stock and to all of our equity securities ranking junior to the preferred stock;
- on a parity with all of our equity securities the terms of which specifically provide that the equity securities rank on a parity with the preferred stock; and
- junior to all of our equity securities the terms of which specifically provide that the equity securities rank senior to the preferred stock.

### **Holding Company Structure**

PG&E Corporation conducts its operations primarily through its subsidiaries and substantially all of its consolidated assets are held by its subsidiaries, including Pacific Gas and Electric Company (the "Utility"). Accordingly, PG&E Corporation's cash flow and its ability to meet its obligations are largely dependent upon the earnings of its subsidiaries and the distribution or other payment of these earnings to PG&E Corporation in the form of dividends or loans or advances and repayment of loans and advances. PG&E Corporation's subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts or make any funds available for payment pursuant to PG&E Corporation's obligations.

Because PG&E Corporation is a holding company, its obligations will be structurally subordinated to all existing and future liabilities of its subsidiaries, including all debt securities and issued and outstanding preferred stock of the Utility (see Exhibit 4.33(b) for a description of such preferred stock). Furthermore, the rights of PG&E Corporation to participate in the assets of any subsidiary upon the liquidation or reorganization of the subsidiary will be subject to the prior claims of such subsidiary's creditors, including any holders of preferred stock of such subsidiary. To the extent that PG&E Corporation is itself a creditor with recognized claims against any of its

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subsidiaries, its claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of the subsidiary and would be subordinated to any indebtedness or other liabilities of the subsidiary that are senior to the claims held by PG&E Corporation.

**DESCRIPTION OF PACIFIC GAS AND ELECTRIC COMPANY'S**  
**SECURITIES REGISTERED UNDER**  
**SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Description of Preferred Stock**

The following description of Pacific Gas and Electric Company's (the "Utility") preferred stock is only a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to applicable law, our Restated Articles of Incorporation effective as of April 12, 2004 (the "Articles of Incorporation") and Bylaws amended as of October 11, 2019 (the "Bylaws"), each of which is filed as an exhibit to this Annual Report on Form 10-K and is incorporated by reference herein. We encourage you to read the Articles of Incorporation and the Bylaws for additional information.

In this section, references to "we," "our," "ours" and "us" refer only to the Utility and not to any of its direct or indirect parents, subsidiaries or affiliates except as expressly provided.

**General**

Our Articles of Incorporation authorize the issuance of 800,000,000 shares of common stock with a par value of \$5 per share, 75,000,000 shares of first preferred stock with a par value of \$25 per share (the "First Preferred Stock"), and 10,000,000 of \$100 first preferred stock, cumulative, with a par value of \$100 per share (the "\$100 First Preferred Stock" and, together with the First Preferred Stock, the "Preferred Stock"), including 4,211,662 shares of 6% Nonredeemable First Preferred Stock, 1,173,163 shares of 5.5% First Nonredeemable Preferred Stock, and 400,000 shares of 5% Nonredeemable First Preferred Stock (each as defined below).

All outstanding shares of our common stock are owned by PG&E Corporation. There are no shares of \$100 First Preferred Stock outstanding. First Preferred Stock is issued and outstanding in the following series:

- 5% series A redeemable ("5% First Preferred Series A Stock")
- 5% redeemable ("5% First Preferred Stock")
- 4.80% redeemable ("4.8% First Preferred Stock")
- 4.50% redeemable ("4.5% First Preferred Stock")
- 4.36% series A redeemable ("4.36% First Preferred Series A Stock")
- 6% nonredeemable ("6% Nonredeemable First Preferred Stock")
- 5.50% nonredeemable ("5.5% Nonredeemable First Preferred Stock")
- 5% nonredeemable ("5% Nonredeemable First Preferred Stock")

As of December 31, 2019, the Utility's First Preferred Stock outstanding included:

- 4,211,661 shares of 6% Nonredeemable First Preferred Stock;
  - 1,173,163 shares of 5.5% Nonredeemable First Preferred Stock;
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- 400,000 shares of 5% Nonredeemable First Preferred Stock;
- 1,778,172 shares of 5% First Preferred Series A Stock;
- 934,322 shares of 5% First Preferred Stock;
- 793,031 shares of 4.8% First Preferred Stock;
- 611,142 shares of 4.5% First Preferred Stock; and
- 418,291 shares of 4.36% First Preferred Series A Stock.

Under the Articles of Incorporation, the Board of Directors of the Utility is authorized without further shareholder action to provide for the issuance of Preferred Stock up to the amounts authorized by the Articles of Incorporation, in one or more series, with such rights, preferences, privileges and restrictions as shall be stated and expressed in the resolution or resolutions providing for the issue of such Preferred Stock, or series thereof, adopted, at any time or from time to time, by the Board of Directors.

### **Voting Rights**

Except as otherwise provided by law, holders of our Preferred Stock have voting rights on the basis of one vote per share on each matter submitted to a vote at a meeting of shareholders. Our shareholders may not cumulate votes in elections of directors. As a result, the holders of our Preferred Stock entitled to exercise more than 50% of the voting rights in an election of directors can elect all of the directors to be elected if they choose to do so. In such event, the holders of the remaining Preferred Stock voting for the election of directors will not be able to elect any persons to the Board of Directors.

### **Dividend Rights**

The owners and holders of shares of Preferred Stock, when issued as fully paid, are entitled to receive, from the date of issue of such share, out of funds legally available therefor, cumulative preferential dividends, when and as declared by the Board of Directors, at the following rates upon the par value of their respective shares, and not more:

- 5% per year upon the 5% First Preferred Series A Stock, 5% First Preferred Stock and 5% Nonredeemable First Preferred Stock
- 4.8% per year upon the 4.8% First Preferred Stock
- 4.5% per year upon the 4.5% First Preferred Stock
- 4.36% per year upon the 4.36% First Preferred Stock
- 6% per year upon the 6% Nonredeemable First Preferred Stock
- 5.5% per year upon the 5.5% Nonredeemable First Preferred Stock

Such dividends shall be declared and shall be either paid or set apart for payment before any dividend upon the shares of common stock shall be either declared or paid. All shares of Preferred Stock rank equally in priority with regard to preference in dividend rights, except that shares of different classes or different series thereof may differ as to the amounts of dividends to which they are entitled.

### **Liquidation Rights**

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Upon the liquidation or dissolution of the Utility at any time and in any manner, the owners and holders of Preferred Stock issued as fully paid will be entitled to receive an amount equal to the par value of such shares plus an amount equal to all accumulated and unpaid dividends thereon to and including the date fixed for such distribution or payment before any amount shall be paid to the holders of the Utility's common stock. All shares of Preferred Stock rank equally in priority with regard to preference in liquidation rights, except that shares of different classes or different series thereof may differ as to the amounts of liquidation payments to which they are entitled. All shares of Preferred Stock rank senior to common stock with regard to liquidation rights.

If any share or shares of Preferred Stock shall at any time be issued as only partly paid, the owners and holders of such partly paid share or shares shall have the right to receive dividends and to share in the assets of the Utility upon its liquidation or dissolution in all respects like the owners and holders of fully paid shares of Preferred Stock, except that such right shall be only in proportion to the amount paid on account of the subscription price for which such partly paid share or shares shall have been issued.

### **Conversion, Redemption and Preemptive Rights**

None of the 6% Nonredeemable First Preferred Stock, 5.5% Nonredeemable First Preferred Stock and 5% Nonredeemable First Preferred Stock is subject to redemption.

The remaining outstanding series of First Preferred Stock, and any Preferred Stock issued in the future, may be redeemed at the Utility's option, at any time or from time to time, at the redemption price fixed for such series of Preferred Stock together with accumulated and unpaid dividends at the rate fixed therefor to and including the date fixed for redemption. If less than all the outstanding shares of any such series are to be redeemed, the shares to be redeemed shall be determined pro rata or by lot in such manner as the Board of Directors may determine. There is no restriction on the repurchase or redemption of Preferred Stock by the Utility while there is any arrearage in the payment of dividends or sinking fund payments.

Unless the certificate of determination for any series of Preferred Stock shall otherwise provide, notice of every redemption shall be published in a newspaper of general circulation in the City and County of San Francisco, State of California, and in a newspaper of general circulation in the Borough of Manhattan, City and State of New York, at least once in each of two (2) successive weeks, commencing not earlier than sixty (60) nor later than thirty (30) days before the date fixed for redemption; successive publications need not be made in the same newspaper. A copy of such notice shall be mailed within the same period of time to each holder of record, as of the record date, of the shares to be redeemed, but the failure to mail such notice to any shareholder shall not invalidate the redemption of such shares.

From and after the date fixed for redemption, unless default be made by the Utility in paying the amount due upon redemption, dividends on the shares called for redemption shall cease to accrue, and such shares shall be deemed to be redeemed and shall be no longer outstanding, and the holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the right to receive from the Utility upon surrender of their certificates the amount payable with respect thereto upon redemption without interest.

None of the Preferred Stock has preemptive rights or conversion rights.

### **Non-Assessability**

Shares of Preferred Stock, the subscription price of which shall have been paid in full, whether such price be par or more or less than par, shall be issued as fully paid shares and shall never be subject to any call or assessment for any purpose whatever. Shares of Preferred Stock, only a part of the subscription price of which shall have been paid, shall be subject to calls for the unpaid balance of the subscription price thereof. But no call made on partly paid Preferred Stock or partly paid common stock shall be recoverable

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by action or be enforceable otherwise than by sale or forfeiture of delinquent stock in accordance with the applicable provisions of the Corporations Code of California.

If at any time, whether by virtue of any amendment of the Articles of Incorporation or any amendment or change of the law of the State of California relating to corporations or otherwise, any assessment shall, in any event whatever, be levied and collected on any subscribed and issued shares of Preferred Stock after the subscription price thereof shall have been paid in full, the rights of the owners and holders thereof to receive dividends and their rights to share in the assets upon the liquidation or dissolution of the Utility shall, immediately upon the payment of such assessment and by virtue thereof, be increased in the same ratio as the total amount of the assessment or assessments so levied and collected shall bear to the par value of such shares of Preferred Stock.

### **Listing**

The outstanding series of First Preferred Stock are listed on the NYSE American as follows:

- 5% First Preferred Series A Stock is listed under the trading symbol PCG-PE
- 5% First Preferred Stock is listed under trading symbol PCG-PD
- 4.8% First Preferred Stock is listed under trading symbol PCG-PG
- 4.5% First Preferred Stock is listed under trading symbol PCG-PH
- 4.36% First Preferred Series A Stock is listed under trading symbol PCG-PI
- 6% Nonredeemable First Preferred Stock is listed under trading symbol PCG-PA
- 5.5% Nonredeemable First Preferred Stock is listed under trading symbol PCG-PB
- 5% Nonredeemable First Preferred Stock is listed under trading symbol PCG-PC

### **Transfer Agent and Registrar**

The Utility will be the transfer agent and dividend and redemption price disbursement agent and First Interstate Bank of California is the registrar for each series of Preferred Stock.

**JPMorgan Chase Bank, N.A.**  
383 Madison Avenue  
New York, NY 10179

**BANK OF AMERICA, N.A.**  
**BofA SECURITIES, INC.**  
One Bryant Park  
New York, NY 10036

**BARCLAYS**  
745 Seventh Avenue  
New York, NY 10019

**CITIGROUP GLOBAL MARKETS INC.**  
388 Greenwich Street  
New York, NY 10013

**GOLDMAN SACHS BANK USA**  
**GOLDMAN SACHS LENDING PARTNERS LLC**  
200 West Street  
New York, NY 10282

**BNP PARIBAS**  
787 Seventh Avenue  
New York, New York 10019

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**  
Eleven Madison Avenue  
New York, New York 10010

**MORGAN STANLEY BANK, N.A.**  
1585 Broadway  
New York, New York 10036

**MUFG Union Bank, N.A.**  
1221 Avenue of the Americas  
New York, NY 10020

**WELLS FARGO BANK, NATIONAL ASSOCIATION**  
550 S Tryon St.  
Charlotte, NC 28202

**PERSONAL AND CONFIDENTIAL**

November 18, 2019

PG&E Corporation  
Pacific Gas and Electric Company  
77 Beale Street  
P.O. Box 77000  
San Francisco, California 94177  
Attention: Nicholas M. Bijur

**Pacific Gas and Electric Company**  
**Amendment No. 1 to Commitment Letter**

Ladies and Gentlemen:

Reference is made to that certain Commitment Letter, dated as of October 4, 2019 (together with the annexes thereto, as supplemented by that certain Joinder Letter dated as of October 28, 2019 and as further amended from time to time in accordance with the terms thereof, the "**Commitment Letter**"), between PG&E Corporation, a California corporation (or any domestic entity formed to hold all of the assets of PG&E Corporation upon emergence from bankruptcy) ("**PG&E**"), Pacific Gas and Electric Company, a California corporation (the "**Utility**") (together with any domestic entity formed to hold all of the assets of the Utility upon emergence from bankruptcy, the "**Borrower**" and together with PG&E, the "**Debtors**" or "**you**"), JPMorgan Chase Bank, N.A. ("**JPMorgan**"), Bank of America, N.A. ("**BANA**"), BofA Securities, Inc. (or any of its designated affiliates, "**BofA**"), and together with BANA, "**Bank of America**"), Barclays Bank PLC ("**Barclays**"), Citigroup Global Markets Inc. on behalf of Citi (as defined below), Goldman Sachs Bank USA ("**GS Bank**") and Goldman Sachs Lending Partners LLC ("**GSLP**"), and together with GS Bank, "**Goldman Sachs**") (JPMorgan, Bank of America, Barclays, Citi and

Goldman Sachs, collectively, the “**Initial Commitment Parties**”) and BNP Paribas (“**BNP**”), Credit Suisse AG, Cayman Islands Branch (“**Credit Suisse**”), Morgan Stanley Bank, N.A. (“**Morgan Stanley**”), MUFG Union Bank, N.A. (“**MUFG**”) and Wells Fargo Bank, National Association (“**Wells Fargo**”, collectively with BNP, Credit Suisse, Morgan Stanley, MUFG and the Initial Commitment Parties, the “**Commitment Parties**”, “**we**” or “**us**”), regarding a \$27,350 million senior secured bridge facility defined therein as the Facility and the related transactions described therein. “**Citi**” shall mean Citigroup Global Markets Inc., Citibank N.A., Citicorp USA, Inc., Citicorp North America, Inc. and/or any of their affiliates as any of them shall determine to be appropriate to provide the services contemplated herein. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Commitment Letter.

Each party to this Amendment No. 1 to Commitment Letter (this “**Amendment**”) hereby agrees that the first sentence of the third paragraph of Section 11 of the Commitment Letter is amended by replacing the text “November 20, 2019” with the text “December 20, 2019” where it appears.

Each party hereto agrees to maintain the confidentiality of this Amendment and the terms hereof, subject to the confidentiality provisions contained in the Commitment Letter. The provisions of the third paragraph of Section 9 of the Commitment Letter are incorporated herein, mutatis mutandis, as if the references to the Commitment Letter were to this Amendment. Each of the parties hereto (for itself and its affiliates) (a) waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to the Commitment Letter, this Amendment, or the transactions contemplated thereby or hereby, in any such New York State court or in any such Federal court and (b) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Except as specifically amended by this Amendment, the Commitment Letter shall remain in full force and effect. This Amendment shall be construed in connection with and form part of the Commitment Letter, and any reference to the Commitment Letter shall be deemed to be a reference to the Commitment Letter as amended by this Amendment. Neither this Amendment nor the Commitment Letter (including the attachments hereto and thereto) may be amended or any term or provision hereof or thereof waived or modified except by an instrument in writing signed by each of the parties hereto. This Amendment may be executed in any number of counterparts, each of which when executed will be an original, and all of which, when taken together, will constitute one agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier, facsimile or other electronic transmission (e.g., “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart thereof.

[Remainder of page intentionally left blank]

---



We are pleased to have been given the opportunity to assist you in connection with the financing for the Transactions.

Very truly yours,

**JPMORGAN CHASE BANK, N.A.**

By:           /s/ Sandeep S. Parihar          

Name: Sandeep S. Parihar

Title: Executive Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

---

**BofA SECURITIES, INC.**

By: /s/ B. Timothy Keller  
Name: B. Timothy Keller  
Title: Managing Director

**BANK OF AMERICA, N.A.**

By: /s/ Margaret A. Halleland  
Name: Margaret A. Halleland  
Title: Vice President

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

---

**BARCLAYS BANK PLC**

By: /s/ Sydney G. Dennis

Name: Sydney G. Dennis

Title: Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

---

**CITIGROUP GLOBAL MARKETS INC.**

By: /s/ Richard Rivera

Name: Richard Rivera

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

---

**GOLDMAN SACHS BANK USA**

By: /s/ Charles D. Johnston

Name: Charles D. Johnston

Title: Authorized Signatory

**GOLDMAN SACHS LENDING PARTNERS LLC**

By: /s/ Charles D. Johnston

Name: Charles D. Johnston

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

**BNP PARIBAS**

By: /s/ Nicole Rodriguez

Name: Nicole Rodriguez

Title: Director

By: /s/ Brenda Heneghan

Name: Brenda Heneghan

Title: Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**

By: /s/ SoVonna Day-Goins

Name: SoVonna Day-Goins

Title: Authorized Signatory

By: /s/ Vipul Dhadda

Name: Vipul Dhadda

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

**MORGAN STANLEY BANK, N.A.**

By: /s/ Mrinalini MacDonough

Name: Mrinalini MacDonough

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

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**MUFG UNION BANK, N.A.**

By: /s/ Nietzsche Rodricks  
Name: Nietzsche Rodricks  
Title: Managing Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

---

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Gregory R. Gredvig  
Name: Gregory R. Gredvig  
Title: Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (Utility)]

---



**JPMorgan Chase Bank, N.A.**  
383 Madison Avenue  
New York, NY 10179

**BANK OF AMERICA, N.A.**  
**BofA SECURITIES, INC.**  
One Bryant Park  
New York, NY 10036

**BARCLAYS**  
745 Seventh Avenue  
New York, NY 10019

**CITIGROUP GLOBAL MARKETS INC.**  
388 Greenwich Street  
New York, NY 10013

**GOLDMAN SACHS BANK USA**  
**GOLDMAN SACHS LENDING PARTNERS LLC**  
200 West Street  
New York, NY 10282

**BNP PARIBAS**  
787 Seventh Avenue  
New York, New York 10019

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**  
Eleven Madison Avenue  
New York, New York 10010

**MORGAN STANLEY BANK, N.A.**  
1585 Broadway  
New York, New York 10036

**MUFG Union Bank, N.A.**  
1221 Avenue of the Americas  
New York, NY 10020

**WELLS FARGO BANK, NATIONAL ASSOCIATION**  
550 S Tryon St.  
Charlotte, NC 28202

**PERSONAL AND CONFIDENTIAL**

November 18, 2019

PG&E Corporation  
Pacific Gas and Electric Company  
77 Beale Street  
P.O. Box 77000  
San Francisco, California 94177  
Attention: Nicholas M. Bijur

**PG&E Corporation**  
**Amendment No. 1 to Commitment Letter**

Ladies and Gentlemen:

Reference is made to that certain Commitment Letter, dated as of October 4, 2019 (together with the annexes thereto, as supplemented by that certain Joinder Letter dated as of October 28, 2019 and as further amended from time to time in accordance with the terms thereof, the "**Commitment Letter**"), between PG&E Corporation, a California corporation ("**PG&E**") (together with any domestic entity formed to hold all of the assets of PG&E upon emergence from bankruptcy, the "**Borrower**"), Pacific Gas and Electric Company, a California corporation (or any domestic entity formed to hold all of the assets of Pacific Gas and Electric Company upon emergence from bankruptcy, the "**Utility**" and together with PG&E, the "**Debtors**" or "**you**"), JPMorgan Chase Bank, N.A. ("**JPMorgan**"), Bank of America, N.A. ("**BANA**"), BofA Securities, Inc. (or any of its designated affiliates, "**BofA**"), and together with BANA, "**Bank of America**"), Barclays Bank PLC ("**Barclays**"), Citigroup Global Markets Inc. on behalf of Citi (as defined below), Goldman Sachs Bank USA ("**GS Bank**") and Goldman Sachs Lending Partners LLC ("**GSLP**"), and together with GS Bank, "**Goldman Sachs**") (JPMorgan, Bank of America, Barclays, Citi

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and Goldman Sachs, collectively, the “*Initial Commitment Parties*”) and BNP Paribas (“*BNP*”), Credit Suisse AG, Cayman Islands Branch (“*Credit Suisse*”), Morgan Stanley Bank, N.A. (“*Morgan Stanley*”), MUFG Union Bank, N.A. (“*MUFG*”) and Wells Fargo Bank, National Association (“*Wells Fargo*”, collectively with BNP, Credit Suisse, Morgan Stanley, MUFG and the Initial Commitment Parties, the “*Commitment Parties*”, “*we*” or “*us*”), regarding a \$7,000 million senior unsecured bridge facility defined therein as the Facility and the related transactions described therein. “*Citi*” shall mean Citigroup Global Markets Inc., Citibank N.A., Citicorp USA, Inc., Citicorp North America, Inc. and/or any of their affiliates as any of them shall determine to be appropriate to provide the services contemplated herein. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Commitment Letter.

Each party to this Amendment No. 1 to Commitment Letter (this “*Amendment*”) hereby agrees that the first sentence of the third paragraph of Section 11 of the Commitment Letter is amended by replacing the text “November 20, 2019” with the text “December 20, 2019” where it appears.

Each party hereto agrees to maintain the confidentiality of this Amendment and the terms hereof, subject to the confidentiality provisions contained in the Commitment Letter. The provisions of the third paragraph of Section 9 of the Commitment Letter are incorporated herein, mutatis mutandis, as if the references to the Commitment Letter were to this Amendment. Each of the parties hereto (for itself and its affiliates) (a) waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to the Commitment Letter, this Amendment, or the transactions contemplated thereby or hereby, in any such New York State court or in any such Federal court and (b) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Except as specifically amended by this Amendment, the Commitment Letter shall remain in full force and effect. This Amendment shall be construed in connection with and form part of the Commitment Letter, and any reference to the Commitment Letter shall be deemed to be a reference to the Commitment Letter as amended by this Amendment. Neither this Amendment nor the Commitment Letter (including the attachments hereto and thereto) may be amended or any term or provision hereof or thereof waived or modified except by an instrument in writing signed by each of the parties hereto. This Amendment may be executed in any number of counterparts, each of which when executed will be an original, and all of which, when taken together, will constitute one agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier, facsimile or other electronic transmission (e.g., “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart thereof.

[Remainder of page intentionally left blank]

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**BofA SECURITIES, INC.**

By: /s/ B. Timothy Keller  
Name: B. Timothy Keller  
Title: Managing Director

**BANK OF AMERICA, N.A.**

By: /s/ Margaret A. Halleland  
Name: Margaret A. Halleland  
Title: Vice President

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

---

**BARCLAYS BANK PLC**

By: /s/ Sydney G. Dennis

Name: Sydney G. Dennis

Title: Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

---



**CITIGROUP GLOBAL MARKETS INC.**

By: /s/ Richard Rivera

Name: Richard Rivera

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

---

**GOLDMAN SACHS BANK USA**

By: /s/ Charles D. Johnston

Name: Charles D. Johnston

Title: Authorized Signatory

**GOLDMAN SACHS LENDING PARTNERS LLC**

By: /s/ Charles D. Johnston

Name: Charles D. Johnston

Title: Authorized Signatory

**BNP PARIBAS**

By: /s/ Nicole Rodriguez

Name: Nicole Rodriguez

Title: Director

By: /s/ Brenda Heneghan

Name: Brenda Heneghan

Title: Director

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**

By: /s/ Vipul Dhadha

Name: Vipul Dhadha

Title: Authorized Signatory

By: /s/ SoVonna Day-Goins

Name: SoVonna Day-Goins

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

**MORGAN STANLEY BANK, N.A.**

By: /s/ Chance Moreland

Name: Chance Moreland

Title: Authorized Signatory

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

---

**MUFG UNION BANK, N.A.**

By: /s/ Nietzsche Rodricks  
Name: Nietzsche Rodricks  
Title: Managing Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

---

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: /s/ Gregory R. Gredvig  
Name: Gregory R. Gredvig  
Title: Director

---

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]

---

**ACCEPTED AND AGREED AS OF  
THE DATE FIRST WRITTEN ABOVE:**

**PG&E CORPORATION**

By: /s/ Nicholas M. Bijur  
Name: Nicholas M. Bijur  
Title: Vice President and Treasurer

**PACIFIC GAS AND ELECTRIC COMPANY**

By: /s/ Nicholas M. Bijur  
Name: Nicholas M. Bijur  
Title: Vice President and Treasurer

[Signature Page to Amendment No. 1 to Commitment Letter (PG&E)]



**JPMORGAN CHASE BANK, N.A.**  
383 Madison Avenue  
New York, NY 10179

**BARCLAYS**  
745 Seventh Avenue  
New York, NY 10019

**GOLDMAN SACHS BANK USA**  
**GOLDMAN SACHS LENDING PARTNERS LLC**  
200 West Street  
New York, NY 10282

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**  
Eleven Madison Avenue  
New York, New York 10010

**MUFG UNION BANK, N.A.**  
1221 Avenue of the Americas  
New York, NY 10020

**MIZUHO BANK, LTD.**  
1251 Avenue of the Americas  
New York, NY 10020

**BANK OF AMERICA, N.A.**  
**BofA SECURITIES, INC.**  
One Bryant Park  
New York, NY 10036

**CITIGROUP GLOBAL MARKETS INC.**  
388 Greenwich Street  
New York, NY 10013

**BNP PARIBAS**  
787 Seventh Avenue  
New York, New York 10019

**MORGAN STANLEY BANK, N.A.**  
1585 Broadway  
New York, New York 10036

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**  
550 S Tryon St.  
Charlotte, NC 28202

---

**PERSONAL AND CONFIDENTIAL**

February 14, 2020

PG&E Corporation  
Pacific Gas and Electric Company  
77 Beale Street  
P.O. Box 77000  
San Francisco, California 94177  
Attention: Nicholas M. Bijur

**PG&E Corporation**

**Amendment No. 4 to Commitment Letter**

Ladies and Gentlemen:

Reference is made to that certain Commitment Letter, dated as of October 4, 2019 (together with the annexes thereto, as supplemented by that certain Joinder Letter dated as of October 28, 2019, that certain Amendment No. 1 to Commitment Letter dated as of November 18, 2019, that certain Joinder Letter dated as of December 2, 2019, that certain Amendment No. 2 to Commitment Letter dated as of December 20, 2019, that certain Amendment No. 3 to Commitment Letter dated as of January 30, 2020 and as further amended from time to time in accordance with the terms thereof, the "**Commitment Letter**"), between PG&E Corporation, a California corporation ("**PG&E**") (together with any domestic entity formed to hold all of the assets of PG&E upon emergence from bankruptcy, the "**Borrower**"), Pacific Gas and Electric Company, a California corporation (or any domestic entity formed to hold all of the assets of Pacific Gas and Electric Company upon emergence from bankruptcy, the "**Utility**" and together with PG&E, the "**Debtors**" or "**you**"), JPMorgan Chase Bank, N.A. ("**JPMorgan**"), Bank of America, N.A. ("**BANA**"), BofA Securities, Inc. (or any of its designated affiliates, "**BofA**", and together with BANA, "**Bank of America**"), Barclays Bank PLC ("**Barclays**"), Citigroup Global Markets Inc. on behalf of Citi (as defined below), Goldman Sachs Bank USA ("**GS Bank**") and Goldman Sachs Lending Partners LLC ("**GSLP**", and together with GS Bank, "**Goldman Sachs**") (JPMorgan, Bank of America, Barclays, Citi and Goldman Sachs, collectively, the "**Initial Commitment Parties**") and BNP Paribas ("**BNP**"), Credit Suisse AG, Cayman Islands Branch ("**Credit Suisse**"), Morgan Stanley Bank, N.A. ("**Morgan Stanley**"), MUFG Union Bank, N.A. ("**MUFG**"), Wells Fargo Bank, National Association ("**Wells Fargo**") and Mizuho Bank, Ltd. ("**Mizuho**", collectively with BNP, Credit Suisse, Morgan Stanley, MUFG, Wells Fargo and the Initial Commitment Parties, the "**Commitment Parties**", "**we**" or "**us**"), regarding a senior unsecured bridge facility for the Borrower defined therein as the Facility and the related transactions described therein. "**Citi**" shall mean Citigroup Global Markets Inc., Citibank N.A., Citicorp USA, Inc., Citicorp North America, Inc. and/or any of their affiliates as any of them shall determine to be appropriate to provide the services contemplated herein. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Commitment Letter.

Each party to this Amendment No. 4 to Commitment Letter (this "**Amendment**") hereby agrees that the Commitment Letter is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in Schedule I hereto.

Each party hereto agrees to maintain the confidentiality of this Amendment and the terms hereof, subject to the confidentiality provisions contained in the Commitment Letter. The provisions of the third paragraph of Section 9 of the Commitment Letter are incorporated herein, mutatis mutandis, as if the references to the Commitment Letter were to this Amendment. Each of the parties hereto (for itself and its affiliates) (a) waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to the Commitment Letter, this Amendment, or the transactions contemplated thereby or hereby, in any such New York State court or in any such Federal court and

(b) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Except as specifically amended by this Amendment, the Commitment Letter shall remain in full force and effect. This Amendment shall be construed in connection with and form part of the Commitment Letter, and any reference to the Commitment Letter shall be deemed to be a reference to the Commitment Letter as amended by this Amendment. Neither this Amendment nor the Commitment Letter (including the attachments hereto and thereto) may be amended or any term or provision hereof or thereof waived or modified except by an instrument in writing signed by each of the parties hereto. This Amendment may be executed in any number of counterparts, each of which when executed will be an original, and all of which, when taken together, will constitute one agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier, facsimile or other electronic transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart thereof.

[Remainder of page intentionally left blank]

We are pleased to have been given the opportunity to assist you in connection with the financing for the Transactions.

Very truly yours

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Sandeep S. Parihar

Name: Sandeep S. Parihar

Title: Executive Director

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**BofA SECURITIES, INC.**

By: /s/ Sanjay Rijhwani  
Name: Sanjay Rijhwani  
Title: Managing Director

---

**BANK OF AMERICA, N.A.**

By: /s/ Sanjay Rijhwani  
Name: Sanjay Rijhwani  
Title: Managing Director

---

**BARCLAYS BANK PLC**

By: /s/ Sydney G. Dennis  
Name: Sydney G. Dennis  
Title: Director

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**CITIGROUP GLOBAL MARKETS INC.**

By: /s/ Richard Rivera

Name: Richard Rivera

Title: Authorized Signatory

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**GOLDMAN SACHS BANK USA**

By: /s/ Robert Ehudin  
Name: Robert Ehudin  
Title: Authorized Signatory

---

**GOLDMAN SACHS LENDING PARTNERS LLC**

By: /s/ Robert Ehudin  
Name: Robert Ehudin  
Title: Authorized Signatory

---



**BNP PARIBAS**

By: /s/ Nicole Rodriguez  
Name: Nicole Rodriguez  
Title: Director

---

By: /s/ Ade Adedeji  
Name: Ade Adedeji  
Title: Director

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**

By: /s/ Vipul Dhadda  
Name: VIPUL DHADDA  
Title: AUTHORIZED SIGNATORY

By: /s/ SoVonna Day-Goins  
Name: SoVonna Day-Goins  
Title: AUTHORIZED SIGNATORY

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**MORGAN STANLEY BANK, N.A.**

By: /s/ Maya Venkatraman

Name: Maya Venkatraman

Title: Authorized Signatory

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**MUFG UNION BANK, N.A.**

By: /s/ Nietzsche Rodricks  
Name: Nietzsche Rodricks  
Title: Managing Director

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**

By: /s/ Gregory R. Gredvig

Name: Gregory R. Gredvig

Title: Director

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**MIZUHO BANK LTD.**

By: /s/ Raymond Ventura  
Name: Raymond Ventura  
Title: Managing Director

---

[Signature Page to Amendment No. 4 to Commitment Letter (PG&E)]

---

**ACCEPTED AND AGREED AS OF  
THE DATE FIRST WRITTEN ABOVE:**

**PG&E CORPORATION**

By: /s/ Nicholas M. Bijur \_\_\_\_\_  
Name: Nicholas M. Bijur  
Title: Vice President and Treasurer

**PACIFIC GAS AND ELECTRIC COMPANY**

By: /s/ Nicholas M. Bijur \_\_\_\_\_  
Name: Nicholas M. Bijur  
Title: Vice President and Treasurer

SCHEDULE I

[Attached]

---



as contemplated by the Plan; *provided* that, notwithstanding the foregoing, if (A) the aggregate principal amount of Specified Debt issued or incurred by the Borrower plus the aggregate principal amount of Excluded Debt issued or incurred by the Borrower pursuant to clause (vi) plus the principal amount of Surviving Debt of the Borrower exceeds ~~\$7,000~~5,000 million, or (B) the aggregate principal amount of Specified Debt issued or incurred by Utility or its subsidiaries plus the aggregate principal amount of Excluded Debt issued or incurred by the Utility or its subsidiaries pursuant to clause (iv), (v), (vi) or (vii), plus the principal amount of Surviving Debt of the Utility or its subsidiaries exceeds ~~\$30,000~~33,350 million, then in either case the commitments with respect to the Facility shall be reduced, or the loans under the Facility shall be prepaid, by an equivalent amount (for the avoidance of doubt, until such commitments or the aggregate principal amount of such loans, in either case, equal zero).

“**Excluded Equity Offerings**” shall mean (i) issuances pursuant to employee compensation plans, employee benefit plans, employee based incentive plans or arrangements, employee stock purchase plans, dividend reinvestment plans and retirement plans or issued as compensation to officers and/or non-employee directors or upon conversion or exercise of outstanding options or other equity awards, (ii) issuances of directors’ qualifying shares and/or other nominal amounts required to be held by persons other than PG&E, the Borrower and their respective subsidiaries under applicable law, (iii) issuances to or by a subsidiary of the Borrower to the Borrower or any other subsidiary of the Borrower (including in connection with existing joint venture arrangements), (iv) any equity issued pursuant to the Plan in an aggregate amount not to exceed ~~\$12,000~~9,000 million, (v) any Designated Permitted Financing and (vi) additional exceptions to be agreed.

“**Qualifying Bank Financing**” shall mean a committed but unfunded bank or other credit facility for the incurrence of debt for borrowed money by the Borrower or the Utility that has become effective for the purposes of financing the Transactions (excluding, for the avoidance of doubt, the Facility), subject to conditions to funding that are, in the written determination of the Borrower, no less favorable to the Borrower than the conditions to the funding of the Facility set forth herein.

---

In addition, with respect to any Included Securitization Transactions, (x) if the proceeds of such Included Securitization Transaction are received, or commitments with respect thereto are entered into, on or prior to the Closing Date, such proceeds or committed amounts shall be applied as set forth under “Closing Date Securitization Waterfall” below and (y) if the proceeds of such Included Securitization Transaction are received after the Closing Date, then, without duplication of any reduction pursuant to clause (x) above, such proceeds shall be applied to prepay the Facility to the maximum extent permitted by applicable law and regulatory approvals and thereafter shall be applied to prepay the Utility Facility

“**Included Securitization Transaction**” shall mean any securitization transaction of the Borrower, the Utility or its Subsidiaries other than any non-recourse pass-through securitization transaction contemplated by A.B. 1054, 2019 Assemb. (Cal. 2019) (for the avoidance of doubt, non-recourse pass-through securitization transactions shall not include any securitization all or a portion of which is, directly or indirectly, credited, rebated or otherwise paid to customers).

“**Fire Victim Trust Securitization**” shall mean a tax benefits securitization all or a portion of the proceeds of which will be utilized to finance the Fire Victim Trust contemplated by (and as defined in) the Plan.

In addition, the aggregate commitments in respect of the Facility shall be permanently reduced to zero on the Commitment Termination Date.

The Borrower shall provide the Administrative Agent with prompt written notice of any mandatory prepayment or commitment reduction being required hereunder.

Amounts borrowed under the Facility that are repaid or prepaid may not be reborrowed.

Closing Date Securitization  
Waterfall:

On or prior to the Closing Date, the proceeds of all Included Securitization Transactions shall be applied as follows (the “**Closing Date Securitization Waterfall**”):

*First*, at the Borrower’s election, in lieu of (and to reduce) the requirement for Designated Permitted Financing (and the intended use of proceeds thereof) as specified in clause 14 of Annex B, up to ~~\$2,000~~6,000 million to finance a portion of the Transactions;

*Second*, to the extent constituting proceeds of a Fire Victim Trust Securitization, to finance the Fire Victim Trust as contemplated by the Plan, up to \$1,350 million;

*Third*, to reduce commitments under the Facility on a dollar-for-dollar basis in accordance with the Mandatory Prepayments and Commitment Reductions section above, up to \$2,000 million;

*Fourth*, to be deposited as cash on the balance sheet of the Borrower, the Utility or its Subsidiaries on the Closing Date, up to \$650 million;

---

~~*Fifth, at the Borrower's election, in lieu of (and to reduce) the minimum equity requirement (and the intended use of proceeds thereof) as specified in clause 13 of Annex B, up to \$4,000 million;*~~

*Thereafter*, as the Borrower shall direct (but, for the avoidance of doubt, with no ~~further~~ reduction to the minimum equity requirement, as specified in clause 13 of Annex B).

Voluntary Prepayments and Reductions in Commitments:

Prepayments of borrowings under the Facility will be permitted at any time, in whole or in part and in minimum principal amounts to be agreed upon, without premium or penalty, subject to reimbursement of the Lenders' redeployment costs in the case of a prepayment of Adjusted LIBOR borrowings other than on the last day of the relevant interest period. The Borrower may voluntarily reduce unutilized portions of the commitments under the Facility at any time without penalty.

Amounts borrowed under the Facility that are repaid or prepaid may not be reborrowed.

Documentation:

The making of the loans under the Facility will be governed by definitive loan and related agreements and documentation (collectively, the "**Facility Documentation**" and the principles set forth in this paragraph, the "**Documentation Principles**") to be negotiated in good faith, which will be based on the Borrower's Second Amended and Restated Credit Agreement, dated as of April 27, 2015, among the Borrower, the financial institutions from time to time party thereto and Bank of America, N.A., as administrative agent (as amended from time to time prior to the date hereof, the "**Pre-Petition Credit Agreement**"). The Facility Documentation will contain only those representations and warranties, affirmative and negative covenants, mandatory prepayments and commitment reductions, and events of default expressly set forth in the Commitment Letter (including this Annex A). The Facility Documentation shall include modifications to the Pre-Petition Credit Agreement (a) as are necessary to reflect the terms set forth in the Commitment Letter (including this Annex A) and the Fee Letter, (b) to reflect any changes in law or accounting standards since the date of the Pre-Petition Credit Agreement, (c) to reflect the operational or administrative requirements of the Administrative Agent and operational requirements of the Borrower and its subsidiaries, (d) to reflect the nature of the Facility as a bridge facility, (e) to reflect the Borrower's pro forma capital structure, (f) to reflect certain provisions in the DIP Facility Credit Agreement to be agreed and (g) to reflect the terms of the Plan.

---

Representations and Warranties:

The Facility Documentation will contain only the following representations and warranties, which shall be made on the effectiveness of the Facility Documentation (the “**Facility Documentation Effective Date**”) and on the Closing Date, and be based on those in the Pre-Petition Credit Agreement (subject to the Documentation Principles): financial condition, no change, existence; compliance with law; power; authorization; enforceable obligations; no legal bar; litigation; no default; taxes; federal regulations; ERISA; investment company act and other regulations; use of proceeds; environmental matters; no EEA financial institution; regulatory matters; solvency (after giving effect to the Transactions, with “solvency” to be defined consistent with the solvency certificate attached hereto as Annex B-1); full disclosure; beneficial ownership certification; anti-corruption and sanctions; ownership of property; subsidiaries; and intellectual property.

Conditions to Borrowing on the Closing Date:

The borrowing under the Facility on the Closing Date will be subject to the conditions expressly set forth in Annex B to the Commitment Letter (the “**Funding Conditions**”).

Affirmative Covenants:

The Facility Documentation will contain only the following affirmative covenants, which shall become effective on the Facility Documentation Effective Date, and be based on those in the Pre-Petition Credit Agreement (subject to the Documentation Principles): financial statements, certificates and other information, payment of taxes, maintenance of existence, compliance, maintenance of property, insurance, inspection of property, books and records, discussions, notices, maintenance of licenses, and maintenance of ratings (but, for the avoidance of doubt, not any particular rating).

Negative Covenants:

The Facility Documentation will contain only the following negative covenants, which shall become effective on the Facility Documentation Effective Date, and be based on those in the Pre-Petition Credit Agreement (subject to the Documentation Principles): liens (which shall permit a lien on the stock of the Utility securing the Permanent Financing to the extent the Facility is secured on an equal and ratable basis with the Permanent Financing), fundamental changes, debt (with exceptions to be agreed, including debt for borrowed money of the Borrower (including the Facility and the Permanent Financing) not to exceed ~~\$7,000~~5,000 million and the Revolving Credit Facility and debt for borrowed money of the Utility and its subsidiaries not to exceed ~~\$30,000~~33,350 million and a revolving credit facility in an amount not to exceed \$3,500 million); ownership of 100% of the common stock of the Utility; no limitations on dividends or payment from the Utility to the Borrower; change in the nature of business; investments; restricted payments; affiliate transactions; prepayments or modifications of junior debt, modifications of organizational documents, sale leaseback transactions, swap agreements, and change of fiscal year.

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9. The Utility shall have received investment grade senior secured debt ratings of (i) in the case of Moody's, Baa3 or better and (ii) in the case of S&P, BBB- or better and in each case, with a stable or better outlook.

10. Total PG&E weighted average earning rate base (including electric generation, electric transmission, electric distribution, gas distribution, gas transmission and storage) for estimated 2021 as approved by the CPUC shall be no less than 95% of \$48 billion.

11. Since June 30, 2019, no result, occurrence, fact, change, event, effect, violation, penalty, inaccuracy or circumstance (whether or not constituting a breach of a representation, warranty or covenant set forth in the Plan) that, individually or in the aggregate with any such other results, occurrences, facts, changes, events, effects, violations, penalties, inaccuracies, or circumstances, (i) would have or would reasonably be expected to have a material adverse effect on the business, operations, assets, liabilities, capitalization, financial performance, financial condition or results of operations, in each case, of the Debtors, taken as a whole, or (ii) would reasonably be expected to prevent or materially delay the ability of the Debtors to consummate the transactions contemplated by this Commitment Letter or the Plan or perform their obligations hereunder or thereunder, including their obligations under the Facility or the Utility Facility (each a "**Material Adverse Effect**") shall have occurred; *provided, however*, that none of the following results, occurrences, facts, changes, events, effects, violations, penalties, inaccuracies or circumstances shall constitute or be taken into account in determining whether a Material Adverse Effect has occurred, is continuing or would reasonably be expected to occur: (A) the filing of the Chapter 11 Cases, and the fact that the Debtors are operating in bankruptcy, (B) results, occurrences, facts, changes, events, violations, inaccuracies or circumstances affecting (1) the electric or gas utility businesses in the United States generally or (2) the economy, credit, financial, capital or commodity markets, in the United States or elsewhere in the world, including changes in interest rates, monetary policy or inflation, (C) changes or prospective changes in law (other than any law or regulation of California or the United States that is applicable to any electrical utility) or in GAAP or accounting standards, or any changes or prospective changes in the interpretation or enforcement of any of the foregoing, (D) any decline in the market price, or change in trading volume, of any securities of the Debtors, (E) any failure to meet any internal or public projections, forecasts, guidance, estimates, milestones, credit ratings, budgets or internal or published financial or operating predictions of revenue, earnings, cash flow or cash position, (F) any wildfire occurring after the Petition Date and prior to January 1, 2020, and (G) one or more wildfires, occurring on or after January 1, 2020, that destroys or damages fewer than 500 Structures in the aggregate (it being understood that (I) the exceptions in clauses (D) and (E) shall not prevent or otherwise affect a determination that the underlying cause of any such change, decline or failure referred to therein is a Material Adverse Effect, and (II) a Material Adverse Effect shall include the occurrence of one or more wildfires on or after January 1, 2020 destroying or damaging at least 500 Structures within PG&E's service area at a time when the portion of PG&E's system at the location of such wildfire was not successfully de-energized).

12. The Debtors' aggregate liability with respect to Fire Claims shall be determined (whether (i) by the Bankruptcy Court (or the District Court to which the reference has been partially withdrawn for estimation purposes), (ii) pursuant to an agreement between the Debtors and the holders of Fire Claims, or (iii) through a combination thereof) not to exceed the Fire Claims Cap.

13. PG&E shall have received at least \$~~12,000~~9,000 million of proceeds from the issuance of equity, on terms acceptable to each Commitment Party in its sole discretion, ~~provided that (i) up to \$2,000 million of such proceeds shall be permitted to come from the proceeds of preferred equity or equity-linked securities issued by PG&E or the Utility, so long as such issuance could not reasonably be expected to negatively impact cash distributions to the Borrower or distributions that will be available to service debt at the Borrower and (ii) such amount may be reduced by up to \$4,000 million from the proceeds of any Included Securitization Transaction on terms reasonably satisfactory to the Commitment Parties subject to compliance with the Closing Date Securitization Waterfall set forth in Annex A.~~ The economic benefit of the net operating loss carryforwards and other tax attributes of the Borrower, the Utility or its subsidiaries shall not have been transferred (pursuant to a tax monetization transaction or otherwise) except on terms that could not reasonably be expected to negatively impact the cash flows of the Borrower, the Utility or its subsidiaries as determined by the Arrangers in their sole discretion.

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14. ~~PG&E~~The Utility shall have received at least ~~\$2,000~~6,000 million of proceeds from any issuance of debt securities or other debt for borrowed money (including pursuant to any bank or other credit facility and any securitization securities or facilities) or any issuance of equity securities (including shares of its common stock or preferred equity or equity-linked securities), in any case on terms acceptable to each Commitment Party in its sole discretion (the “Designated Permitted Financing”), provided that if such Designated Permitted Financing is an Included Securitization Transaction, it is applied in lieu of (and to reduce) the requirement under this paragraph in compliance with the Closing Date Securitization Waterfall set forth in Annex A.

15. The Utility has both (i) elected, and received Bankruptcy Court approval, to participate in the Go-Forward Wildfire Fund (as defined in the Plan) and (ii) satisfied the other conditions to participation in the Go-Forward Wildfire Fund set forth in the Wildfire Legislation (as defined in the Plan).

16. PG&E shall own directly 100% of the common stock of the Utility.

17. No order of a governmental authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation or funding of any transactions contemplated by the Plan shall have been received by the Debtors, and no law, statute, rule, regulation or ordinance shall have been adopted that makes the consummation or funding of any transactions contemplated by the Plan illegal or otherwise prohibited. The Utility shall have delivered to the Arrangers a financial model satisfactory to the Arrangers reflecting sources and uses and capital structure, together with a certification by the Utility that such financial model demonstrates compliance with all regulatory requirements (including all CPUC approvals).

18. One or more investment banks reasonably satisfactory to the Commitment Parties shall have been engaged to publicly sell or privately place the Notes for the purpose of reducing, replacing or refinancing the Facility.

**JPMORGAN CHASE BANK, N.A.**  
383 Madison Avenue  
New York, NY 10179

**BARCLAYS**  
745 Seventh Avenue  
New York, NY 10019

**GOLDMAN SACHS BANK USA**  
**GOLDMAN SACHS LENDING PARTNERS LLC**  
200 West Street  
New York, NY 10282

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH**  
Eleven Madison Avenue  
New York, New York 10010

**MUFG UNION BANK, N.A.**  
1221 Avenue of the Americas  
New York, NY 10020

**MIZUHO BANK, LTD.**  
1251 Avenue of the Americas  
New York, NY 10020

**BANK OF AMERICA, N.A.**  
**BofA SECURITIES, INC.**  
One Bryant Park  
New York, NY 10036

**CITIGROUP GLOBAL MARKETS INC.**  
388 Greenwich Street  
New York, NY 10013

**BNP PARIBAS**  
787 Seventh Avenue  
New York, New York 10019

**MORGAN STANLEY BANK, N.A.**  
1585 Broadway  
New York, New York 10036

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**  
550 S Tryon St.  
Charlotte, NC 28202

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**PERSONAL AND CONFIDENTIAL**

February 14, 2020

PG&E Corporation  
Pacific Gas and Electric Company  
77 Beale Street  
P.O. Box 77000  
San Francisco, California 94177  
Attention: Nicholas M. Bijur

**Pacific Gas and Electric Company**

**Amendment No. 4 to Commitment Letter**

Ladies and Gentlemen:

Reference is made to that certain Commitment Letter, dated as of October 4, 2019 (together with the annexes thereto, as supplemented by that certain Joinder Letter dated as of October 28, 2019, that certain Amendment No. 1 to Commitment Letter dated as of November 18, 2019, that certain Joinder Letter dated as of December 2, 2019, that certain Amendment No. 2 to Commitment Letter dated as of December 20, 2019, that certain Amendment No. 3 to Commitment Letter dated as of January 30, 2020 and as further amended from time to time in accordance with the terms thereof, the "**Commitment Letter**"), between PG&E Corporation, a California corporation (or any domestic entity formed to hold all of the assets of PG&E Corporation upon emergence from bankruptcy) ("**PG&E**"), Pacific Gas and Electric Company, a California corporation (the "**Utility**") (together with any domestic entity formed to hold all of the assets of the Utility upon emergence from bankruptcy, the "**Borrower**" and together with PG&E, the "**Debtors**" or "**you**"), JPMorgan Chase Bank, N.A. ("**JPMorgan**"), Bank of America, N.A. ("**BANA**"), BofA Securities, Inc. (or any of its designated affiliates, "**BofA**"), and together with BANA, "**Bank of America**"), Barclays Bank PLC ("**Barclays**"), Citigroup Global Markets Inc. on behalf of Citi (as defined below), Goldman Sachs Bank USA ("**GS Bank**") and Goldman Sachs Lending Partners LLC ("**GSLP**"), and together with GS Bank, "**Goldman Sachs**") (JPMorgan, Bank of America, Barclays, Citi and Goldman Sachs, collectively, the "**Initial Commitment Parties**") and BNP Paribas ("**BNP**"), Credit Suisse AG, Cayman Islands Branch ("**Credit Suisse**"), Morgan Stanley Bank, N.A. ("**Morgan Stanley**"), MUFG Union Bank, N.A. ("**MUFG**"), Wells Fargo Bank, National Association ("**Wells Fargo**") and Mizuho Bank, Ltd. ("**Mizuho**"), collectively with BNP, Credit Suisse, Morgan Stanley, MUFG, Wells Fargo and the Initial Commitment Parties, the "**Commitment Parties**", "**we**" or "**us**"), regarding a senior secured bridge facility for the Borrower defined therein as the Facility and the related transactions described therein. "**Citi**" shall mean Citigroup Global Markets Inc., Citibank N.A., Citicorp USA, Inc., Citicorp North America, Inc. and/or any of their affiliates as any of them shall determine to be appropriate to provide the services contemplated herein. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Commitment Letter.

Each party to this Amendment No. 4 to Commitment Letter (this "**Amendment**") hereby agrees that the Commitment Letter is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in Schedule I hereto.

Each party hereto agrees to maintain the confidentiality of this Amendment and the terms hereof, subject to the confidentiality provisions contained in the Commitment Letter. The provisions of the third paragraph of Section 9 of the Commitment Letter are incorporated herein, mutatis mutandis, as if the references to the Commitment Letter were to this Amendment. Each of the parties hereto (for itself and its affiliates) (a) waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to the Commitment Letter, this Amendment, or the transactions contemplated thereby or hereby, in any such New York State court or in any such Federal court and



(b) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Except as specifically amended by this Amendment, the Commitment Letter shall remain in full force and effect. This Amendment shall be construed in connection with and form part of the Commitment Letter, and any reference to the Commitment Letter shall be deemed to be a reference to the Commitment Letter as amended by this Amendment. Neither this Amendment nor the Commitment Letter (including the attachments hereto and thereto) may be amended or any term or provision hereof or thereof waived or modified except by an instrument in writing signed by each of the parties hereto. This Amendment may be executed in any number of counterparts, each of which when executed will be an original, and all of which, when taken together, will constitute one agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier, facsimile or other electronic transmission (e.g., "pdf" or "tif") shall be effective as delivery of a manually executed counterpart thereof.

[Remainder of page intentionally left blank]

We are pleased to have been given the opportunity to assist you in connection with the financing for the Transactions.

Very truly yours

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Sandeep S. Parihar

Name: Sandeep S. Parihar

Title: Executive Director

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**BofA SECURITIES, INC.**

By: /s/ Sanjay Rijhwani  
Name: Sanjay Rijhwani  
Title: Managing Director

---

**BANK OF AMERICA, N.A.**

By: /s/ Sanjay Rijhwani  
Name: Sanjay Rijhwani  
Title: Managing Director

---

**BARCLAYS BANK PLC**

By: /s/ Sydney G. Dennis  
Name: Sydney G. Dennis  
Title: Director

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**CITIGROUP GLOBAL MARKETS INC.**

By: /s/ Richard Rivera

Name: Richard Rivera

Title: Authorized Signatory

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**GOLDMAN SACHS BANK USA**

By: /s/ Robert Ehudin  
Name: Robert Ehudin  
Title: Authorized Signatory

---

**GOLDMAN SACHS LENDING PARTNERS LLC**

By: /s/ Robert Ehudin  
Name: Robert Ehudin  
Title: Authorized Signatory

---

**BNP PARIBAS**

By: /s/ Nicole Rodriguez  
Name: Nicole Rodriguez  
Title: Director

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By: /s/ Ade Adedeji  
Name: Ade Adedeji  
Title: Director

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**CREDIT SUISSE AG, CAYMAN ISLANDS  
BRANCH**

By: /s/ SoVonna Day-Goins  
Name: SoVonna Day-Goins  
Title: AUTHORIZED SIGNATORY

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By: /s/ Vipul Dhadha  
Name: VIPUL DHADDA  
Title: AUTHORIZED SIGNATORY

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**MORGAN STANLEY BANK, N.A.**

By: /s/ Mrinalini Macdonough  
Name: Mrinalini MacDonough  
Title: Authorized Signatory

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**MUFG UNION BANK, N.A.**

By: /s/ Nietzsche Rodricks  
Name: Nietzsche Rodricks  
Title: Managing Director

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**

By: /s/ Gregory R. Gredvig

Name: Gregory R. Gredvig

Title: Director

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**MIZUHO BANK, LTD.**

By: /s/ Raymond Ventura  
Name: Raymond Ventura  
Title: Managing Director

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[Signature Page to Amendment No. 4 to Commitment Letter (Utility)]

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**ACCEPTED AND AGREED AS OF  
THE DATE FIRST WRITTEN ABOVE:**

**PG&E CORPORATION**

By: /s/ Nicholas M. Bijur \_\_\_\_\_  
Name: Nicholas M. Bijur  
Title: Vice President and Treasurer

**PACIFIC GAS AND ELECTRIC COMPANY**

By: /s/ Nicholas M. Bijur \_\_\_\_\_  
Name: Nicholas M. Bijur  
Title: Vice President and Treasurer

SCHEDULE I

[Attached]

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management, and similar obligations, (iii) borrowings under the Revolving Credit Facility up to an aggregate amount not to exceed \$3,500 million, (iv) revolving borrowings under the DIP Facility Credit Agreement (as defined in the Plan) (or refinancings thereof) up to an aggregate amount not to exceed the amount of the revolving commitments in effect thereunder on the date of the Commitment Letter, (v) incremental facilities under the DIP Facility Credit Agreement (or refinancings thereof) or any new debtor-in-possession facilities, in either case that are to be paid in full in cash at emergence from the Chapter 11 Cases, (vi) securitization securities or facilities ~~and any Designated Permitted Financing~~, and (vii) issuances of debt by PG&E in a principal amount not to exceed \$5,000 million; ~~and~~ debt or unfunded commitments under a revolving credit facility to be entered into by PG&E in an amount not to exceed \$500 million ~~and any Designated Permitted Financing~~, in each case as contemplated by the Plan; *provided* that, notwithstanding the foregoing, if (A) the aggregate principal amount of Specified Debt issued or incurred by the Borrower or its subsidiaries plus the aggregate principal amount of Excluded Debt issued or incurred by the Borrower or its subsidiaries pursuant to clause (iv), (v) or (vi) plus the principal amount of Surviving Debt of the Borrower or its subsidiaries exceeds ~~\$30,000~~33,350 million, or (B) the aggregate principal amount of Specified Debt issued or incurred by PG&E plus the aggregate principal amount of Excluded Debt issued or incurred by PG&E pursuant to clause (vi) or (vii) plus the principal amount of Surviving Debt of PG&E exceeds ~~\$7,000~~5,000 million, then in either case the commitments with respect to the Facility shall be reduced, or the loans under the Facility shall be prepaid, by an equivalent amount (for the avoidance of doubt, until such commitments or the aggregate principal amount of such loans, in either case, equal zero).

“**Excluded Equity Offerings**” shall mean (i) issuances pursuant to employee compensation plans, employee benefit plans, employee based incentive plans or arrangements, employee stock purchase plans, dividend reinvestment plans and retirement plans or issued as compensation to officers and/or non-employee directors or upon conversion or exercise of outstanding options or other equity awards, (ii) issuances of directors’ qualifying shares and/or other nominal amounts required to be held by persons other than PG&E, the Borrower and their respective subsidiaries under applicable law, (iii) issuances to or by the Borrower or any subsidiary of the Borrower to PG&E, the Borrower or any other subsidiary of the Borrower (including in connection with existing joint venture arrangements), (iv) any equity issued pursuant to the Plan in an aggregate amount not to exceed ~~\$12,000~~9,000 million, (v) any Designated Permitted Financing and (vi) additional exceptions to be agreed.

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“Qualifying Bank Financing” shall mean a committed but unfunded bank or other credit facility for the incurrence of debt for borrowed money by PG&E or the Borrower that has become effective for the purposes of financing the Transactions (excluding, for the avoidance of doubt, the Facility), subject to conditions to funding that are, in the written determination of the Borrower, no less favorable to the Borrower than the conditions to the funding of the Facility set forth herein. In addition, with respect to any Included Securitization Transaction, (x) if the proceeds of such Included Securitization Transaction are received, or commitments with respect thereto are entered into, on or prior to the Closing Date, such proceeds or committed amounts shall be applied as set forth under “Closing Date Securitization Waterfall” below and (y) if the proceeds of such Included Securitization Transaction are received after the Closing Date, then, without duplication of any reduction pursuant to clause (x) above, such proceeds shall be applied to prepay the PG&E Facility to the maximum extent permitted by applicable law and regulatory approvals and thereafter shall be applied to prepay the Facility.

“**Included Securitization Transaction**” shall mean any securitization transaction of PG&E, the Borrower or its Subsidiaries other than any non-recourse pass-through securitization transaction contemplated by A.B. 1054, 2019 Assemb. (Cal. 2019) (for the avoidance of doubt, non-recourse pass-through securitization transactions shall not include any securitization all or a portion of which is, directly or indirectly, credited, rebated or otherwise paid to customers).

“**Fire Victim Trust Securitization**” shall mean a tax benefits securitization all or a portion of the proceeds of which will be utilized to finance the Fire Victim Trust contemplated by (and as defined in) the Plan.

In addition, the aggregate commitments in respect of the Facility shall be permanently reduced to zero on the Commitment Termination Date.

The Borrower shall provide the Administrative Agent with prompt written notice of any mandatory prepayment or commitment reduction being required hereunder.

Amounts borrowed under the Facility that are repaid or prepaid may not be reborrowed.

Closing Date Securitization Waterfall:

On or prior to the Closing Date, the proceeds of all Included Securitization Transactions shall be applied as follows (the “**Closing Date Securitization Waterfall**”):

*First*, at the Borrower’s election, in lieu of (and to reduce) the requirement for Designated Permitted Financing (and the intended use of proceeds thereof) as specified in clause 15 of Annex B, up to ~~\$2,000~~6,000 million to finance a portion of the Transactions;

*Second*, to the extent constituting proceeds of a Fire Victim Trust Securitization, to finance the Fire Victim Trust as contemplated by the Plan, up to \$1,350 million;

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*Third*, to reduce commitments under the PG&E Facility on a dollar-for-dollar basis in accordance with the Mandatory Prepayments and Commitment Reductions section above, up to \$2,000 million;

*Fourth*, to be deposited as cash on the balance sheet of PG&E, the Borrower or its Subsidiaries on the Closing Date, up to \$650 million;

~~*Fifth*, at the Borrower's election, in lieu of (and to reduce) the minimum equity requirement (and the intended use of proceeds thereof) as specified in clause 14 of Annex B, up to \$4,000 million;~~

*Thereafter*, as the Borrower shall direct (but, for the avoidance of doubt, with no ~~further~~ reduction to the minimum equity requirement, as specified in clause 14 of Annex B).

Voluntary Prepayments and Reductions in Commitments:

Prepayments of borrowings under the Facility will be permitted at any time, in whole or in part and in minimum principal amounts to be agreed upon, without premium or penalty, subject to reimbursement of the Lenders' redeployment costs in the case of a prepayment of Adjusted LIBOR borrowings other than on the last day of the relevant interest period. The Borrower may voluntarily reduce unutilized portions of the commitments under the Facility at any time without penalty.

Amounts borrowed under the Facility that are repaid or prepaid may not be reborrowed.

Documentation:

The making of the loans under the Facility will be governed by definitive loan and related agreements and documentation (collectively, the "**Facility Documentation**" and the principles set forth in this paragraph, the "**Documentation Principles**") to be negotiated in good faith, which will be based on the Borrower's Second Amended and Restated Credit Agreement, dated as of April 27, 2015, among the Borrower, the financial institutions from time to time party thereto and Citibank, N.A., as administrative agent (as amended from time to time prior to the date hereof, the "**Pre-Petition Credit Agreement**"). The Facility Documentation will contain only those representations and warranties, affirmative and negative covenants, mandatory prepayments and commitment reductions, and events of default expressly set forth in the debt (with exceptions to be agreed, including debt for borrowed money (including the Facility and the Notes) not to exceed ~~\$30,000~~33,350 million and the Revolving Credit Facility), modifications of organizational documents, sale leaseback transactions, swap agreements, and change of fiscal year.

Financial Covenants:

Subject to the Documentation Principles, maintenance of a maximum Consolidated Capitalization Ratio of less than or equal to 0.65 to 1.00, calculated in accordance with (and capitalized terms to have the meaning set forth in) the Pre-Petition Credit Agreement.

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Events of Default:

The Facility Documentation will contain only the following events of default, which shall be based on those in the Pre-Petition Credit Agreement (subject to the Documentation Principles): nonpayment of principal when due; nonpayment of interest or other amounts after a grace period of five business days; material inaccuracy of representations and warranties; Facility Documentation ceasing to be in full force and effect or any Borrower party thereto so asserting; violation of covenants (subject, in the case of certain affirmative covenants, to a grace period of 30 days); cross-default with respect to material indebtedness; bankruptcy events (from and after the Closing Date); certain ERISA events; material judgments; actual or asserted invalidity of security documents representing a material portion of the collateral; and a change of control (to be defined in a manner to be agreed).

Voting:

Subject to the Documentation Principles and based on the Pre-Petition Credit Agreement, including all lender vote for the release of all or substantially all of the Collateral.

Cost and Yield Protection:

Usual and customary for facilities and transactions of this type, including customary tax gross-up provisions (including but not limited to provisions relating to Dodd-Frank and Basel III), but subject to the Documentation Principles and based on the Pre-Petition Credit Agreement.

Assignments and Participations:

Subject to the Documentation Principles and based on the Pre-Petition Credit Agreement as follows:

Prior to the Closing Date, the Lenders will not be permitted to assign commitments under the Facility to any Person except in accordance with the terms of the syndication provisions in the Commitment Letter.

From and after the Closing Date, the Lenders will be permitted to assign loans under the Facility to eligible assignees subject to the consent of the Borrower (not to be unreasonably withheld or delayed); *provided* that no such consent shall be required with respect to any assignment (x) to a Lender, an affiliate of a Lender or an approved fund, (y) to an Approved Lender or (z) if a payment or bankruptcy (from and after the Closing Date) event of default shall have occurred and be continuing; *provided, further*, that such

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14. PG&E shall have received at least \$~~12,000~~9,000 million of proceeds from the issuance of equity, on terms acceptable to each Commitment Party in its sole discretion, ~~provided that (i) up to \$2,000 million of such proceeds shall be permitted to come from the proceeds of preferred equity or equity-linked securities issued by PG&E or the Utility, so long as such issuance could not reasonably be expected to negatively impact cash distributions to PG&E or distributions that will be available to service debt at PG&E and (ii) such amount may be reduced by up to \$4,000 million from the proceeds of any Included Securitization Transaction on terms reasonably satisfactory to the Commitment Parties subject to compliance with the Closing Date Securitization Waterfall set forth in Annex A.~~ The economic benefit of the net operating loss carryforwards and other tax attributes of PG&E, the Borrower or its subsidiaries shall not have been transferred (pursuant to a tax monetization transaction or otherwise) except on terms that could not reasonably be expected to negatively impact the cash flows of PG&E, the Borrower or its subsidiaries as determined by the Arrangers in their sole discretion.

15. ~~PG&E~~The Utility shall have received at least \$~~2,000~~6,000 million of proceeds from any issuance of debt securities or other debt for borrowed money (including pursuant to any bank or other credit facility and any securitization securities or facilities) or any issuance of equity securities (including shares of its common stock or preferred equity or equity-linked securities), in any case on terms acceptable to each Commitment Party in its sole discretion (the “**Designated Permitted Financing**”), provided that if such Designated Permitted Financing is an Included Securitization Transaction, it is applied in lieu of (and to reduce) the requirement under this paragraph in compliance with the Closing Date Securitization Waterfall set forth in Annex A.

16. The Utility has both (i) elected, and received Bankruptcy Court approval, to participate in the Go-Forward Wildfire Fund (as defined in the Plan) and (ii) satisfied the other conditions to participation in the Go-Forward Wildfire Fund set forth in the Wildfire Legislation (as defined in the Plan).

17. PG&E shall own directly 100% of the common stock of the Borrower.

18. No order of a governmental authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation or funding of any transactions contemplated by the Plan shall have been received by the Debtors, and no law, statute, rule, regulation or ordinance shall have been adopted that makes the consummation or funding of any transactions contemplated by the Plan illegal or otherwise prohibited. The Borrower shall have delivered to the Arrangers a financial model satisfactory to the Arrangers reflecting sources and uses and capital structure, together with a certification by the Borrower that such financial model demonstrates compliance with all regulatory requirements (including all CPUC approvals).

19. One or more investment banks reasonably satisfactory to the Commitment Parties shall have been engaged to publicly sell or privately place the Notes for the purpose of reducing, replacing or refinancing the Facility.

**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**FIRST AMENDMENT TO RESTRUCTURING SUPPORT AGREEMENT**

This First Amendment to Restructuring Support Agreement ("Amendment") dated as of October 24, 2019 (the "Amendment Effective Date"), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a "Debtor" and collectively, the "Company" or the "Debtors"), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the RSA (as defined below) shall have the meanings given such terms in the RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are party to that certain Restructuring Support Agreement, dated as of September 22, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the "RSA"), and as amended by this Amendment, the "First Amended RSA");

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of "RSA Deadline" in Section 1(a) of the RSA is hereby amended and restated as in its entirety as follows:

"RSA Deadline" means November 14, 2019, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof."

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers on the date and year first above written.

**PG&E CORPORATION**

By: /s/ Janet C. Loduca

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

**PACIFIC GAS AND ELECTRIC COMPANY**

By: /s/ Janet C. Loduca

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

[Signature Pages of Consenting Creditors Omitted and on File with the Registrant]

*Signature Page to First Amendment to Restructuring Support Agreement*

**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY Chapter 11 PLAN of Reorganization PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**AMENDED AND RESTATED RESTRUCTURING SUPPORT AGREEMENT**

This Amended and Restated Restructuring Support Agreement (as amended, supplemented, or otherwise modified from time to time in accordance with the terms hereof, this "Agreement") dated as of November 1, 2019, is entered into by and among the following parties: (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession (each, a "Debtor" and collectively, the "Company" or the "Debtors") in the Chapter 11 Cases (as defined below), and (ii) each of the undersigned creditors party hereto from time to time solely in each such creditor's capacity as a holder of Subrogation Claims (as defined below) (including Transferees and Joining Parties (each as defined below), collectively the "Consenting Creditors"), and this Agreement shall not be binding on any such holder in its capacity as the holder of any claim or interest other than a Subrogation Claim. The Company and the Consenting Creditors are referred to herein as the "Parties" and each individually as a "Party."

**RECITALS:**

**WHEREAS**, on January 29, 2019, (the "Petition Date"), the Debtors commenced voluntary cases (the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"), which Chapter 11 Cases have been consolidated by order of the Bankruptcy Court for procedural purposes only and are being jointly administered under case number 19-30088 (DM);

**WHEREAS**, as of the date hereof, the Consenting Creditors have asserted certain Subrogation Claims against the Company;

**WHEREAS**, before the date hereof, the Parties and their representatives have engaged in arms' length, good-faith negotiations regarding a settlement of the Subrogation Claims against the Company on the terms set forth herein, including the allowance of Subrogation Claims at the Allowed Subrogation Claim Amount (each as defined below), which allowance will survive termination of this Agreement in certain circumstances, as expressly set forth herein, and the treatment of the Subrogation Claims with the Aggregate Subrogation Recovery (as defined below) on the Effective Date of the Plan (each as defined below) (the "Settlement");

**WHEREAS**, the Parties have agreed to take certain actions in support of the Settlement on the terms and conditions set forth in this Agreement; and

**WHEREAS**, the Parties desire to express to each other their mutual support and commitment with respect to the Settlement, the Plan, and the other matters discussed hereunder.

**NOW, THEREFORE**, in consideration of the promises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and incorporating and affirming the accuracy of the Recitals stated above, the Parties, intending to be legally bound, agree as follows:

**1. Definitions; Rules of Construction.**

(a) Definitions. The following terms shall have the following definitions:

“A.B. 1054” means California Assembly Bill No. 1054, approved by the Governor on July 12, 2019.

“Ad Hoc Subrogation Group” means that certain ad hoc group of holders of Subrogation Claims, each in their capacities as such, represented by Willkie Farr & Gallagher LLP, Diemer & Wei LLP and Rothschild & Co US Inc., the members of which are disclosed in that certain Verified Statement of the Ad Hoc Group of Subrogation Claim Holders Pursuant to Bankruptcy Rule 2019 [Dkt. No. 971] as such statement may be amended from time to time.

“Ad Hoc Professionals” means (i) Willkie Farr & Gallagher LLP, (ii) Rothschild & Co. US Inc., (iii) Diemer & Wei LLP, (iv) Kekst and Company Incorporated d/b/a Kekst CNC, and (v) Wilson Public Affairs.

“Agreement” has the meaning set forth in the preamble hereof.

“Aggregate Subrogation Recovery” means the payment of \$11 billion in full in cash (subject to replacing a portion of the cash with Non-Cash Recovery in accordance with Section 3(a)(ix) hereof) to a trust to be established pursuant to the Plan for the benefit of holders of Subrogation Claims.

“Allowance Termination Notice” has the meaning set forth in Section 5(d) hereof.

“Allowed Subrogation Claim Amount” has the meaning set forth in in Section 4 hereof.

“Alternative Restructuring” has the meaning set forth in Section 2(a)(iii).

“Bankruptcy Code” has the meaning set forth in the recitals hereof.

“Bankruptcy Court” has the meaning set forth in the recitals hereof.

“Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, applicable to the Chapter 11 Cases, and any Local Rules of the Bankruptcy Court.

“Business Day” means any day other than Saturday, Sunday, and any day that is a legal holiday or a day on which banking institutions in New York, New York are authorized by law or other governmental action to close.

“Chapter 11 Cases” has the meaning set forth in the recitals hereof.

“Claim” has the meaning ascribed to such term under section 101(5) of the Bankruptcy Code.

“Company” has the meaning set forth in the preamble hereof.

“Confidential Claims Information” has the meaning set forth in Section 3(a)(vii) hereof.

“Confirmation Order” means an order entered by the Bankruptcy Court confirming the Plan.

“Consenting Creditors” has the meaning set forth in the preamble hereof.

“Creditor Termination Event” has the meaning set forth in Section 5(d) hereof.

“Debtor Termination Event” has the meaning set forth in Section 5(e) hereof.

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“Debtors” has the meaning set forth in the preamble hereof.

“Definitive Documents” means (i) the Plan and the Confirmation Order, (ii) the Disclosure Statement and the Disclosure Statement Order, (iii) the Plan Supplement, (iv) the RSA Approval Order, (v) any motions or pleadings filed by the Debtors in the Chapter 11 Cases seeking approval or confirmation of the foregoing, and (vi) any exhibits, appendices, or schedules contemplated by the foregoing clause (i) – (v).

“Disclosure Statement” means the Debtors’ disclosure statement, including any exhibits, appendices, or ballots attached thereto or contemplated thereby, and any procedures related to the solicitation of votes to accept or reject the Plan, in each case, as amended, supplemented, or otherwise modified from time to time in accordance with the terms hereof.

“Disclosure Statement Order” means an order entered by the Bankruptcy Court approving the Disclosure Statement and related solicitation materials, including with respect to Section 2(a)(ii) hereof.

“Effective Date” means the effective date of the Plan or an Insolvent Plan.

“Estimation Proceedings” means any court proceedings related to the estimation or allowance of IP Claims (in the aggregate) (whether in the Bankruptcy Court, California state court, Federal District Court or any other forum, including any state court proceedings related to the Tubbs Fire), including the pending wildfire claims estimation proceeding before the Hon. James Donato in the Northern District of California, Case No. 19-cv-05257-JD, and the pending coordination proceeding in the Superior Court of the State of California for the County of San Francisco before the Hon. Teri L. Jackson, the California North Bay Fire Cases JCCP 4955.

“Findings and Orders” has the meaning set forth in Section 3(a)(v) hereof.

“Insolvency Termination” has the meaning set forth in Section 5(c) hereof.

“Insolvent Plan” has the meaning set forth in Section 3(a)(i) hereof.

“IP Claims” means any Wildfire Claim that is not a Public Entities Wildfire Claim, a Subrogation Claim or any Wildfire Claim asserted by any Governmental Unit (as defined in section 101(27) of the Bankruptcy Code).

“Joinder” has the meaning set forth in Section 26 hereof.

“Joining Party” has the meaning set forth in Section 26 hereof.

“Non-Cash Recovery” has the meaning set forth in Section 3(a)(ix) hereof.

“Paid Claims” as such term is used herein, means payments and legally recoverable expenses made to or on behalf of insureds in connection with the Wildfires and the insuring agreement between a holder of Subrogation Claims (or an insurer from whom such holder directly or indirectly acquired Subrogation Claims) and its insured, but not including payments of any personal injury or death claims, non-recoverable expenses (including deductibles voluntarily refunded), damages unrelated to the Wildfires and/or arising from the insurer’s negligence or bad faith. For the avoidance of doubt, Paid Claims shall also include payments and recoverable expenses made by a Claimholder to or for the benefit of insureds in connection with Wildfires required by California law as a result of an insurer’s insolvency.

“Parties” has the meaning set forth in the preamble hereof.

“Person” has the meaning ascribed to such term under section 101(41) of the Bankruptcy Code.

“Petition Date” has the meaning set forth in the recitals hereof.

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“Plan” means the Debtors’ joint chapter 11 plan of reorganization, as such may be amended, supplemented, or modified from time to time in accordance with Section 9 hereof. The draft of the Plan attached hereto as Exhibit A incorporates the terms of the Settlement and otherwise does not adversely affect the Settlement or the rights of the Parties hereto. The Debtors shall file the Plan with the Bankruptcy Court in the form attached no later than November 4, 2019, which Plan, date, or deadline may be amended, modified, or extended by agreement of the Parties pursuant to Section 9 herein. For the avoidance of doubt, the Plan and the applicable Definitive Documents shall incorporate the terms of the Settlement including any conditions thereto, and shall not otherwise adversely affect the Settlement, or the rights of the Parties to this Agreement. For the further avoidance of doubt, references to the Plan herein shall not include an Insolvent Plan.

“Plan Supplement” means the supplement to the Plan to be filed in the Chapter 11 Cases, that includes forms of certain documents effectuating the transaction contemplated in the Plan and shall be filed with the Bankruptcy Court no later than fourteen (14) days prior to the deadline set to file objections to the confirmation of the Plan.

“Public Entities Wildfire Claim” means any Wildfire Claim against the Debtors held by any of the Public Entities (as defined in the Plan), including any Claim pleaded or asserted or that could have been pleaded or asserted by the Public Entities based on the factual allegations set forth in the Public Entities Operative Complaints (as defined in the Plan) or that were filed or could be filed by the Public Entities in connection with the Chapter 11 Cases whether arising under California law or any other applicable law of the United States (state or federal) or any other jurisdiction, in each case whether such claims are absolute or contingent, direct or indirect, known or unknown, foreseen or unforeseen, in contract, tort or in equity, under any theory of law.

“Requisite Consenting Creditors” means, as of any time of determination, Consenting Creditors holding at least 66 2/3% of RSA Claims (measured by dollar amount).

“Reserved Claims” means projected payments relating to Subrogation Claims reserved but not paid, as of the date of measurement.

“RSA Approval Order” means the order, in form and substance reasonably acceptable to the Debtors and the Requisite Consenting Creditors, approving the Debtors’ entry into this Agreement, which shall (i) be entered by the Bankruptcy Court no later than the RSA Deadline, and (ii) allow the Subrogation Claims in the aggregate allowed amount of \$11 billion pursuant to Bankruptcy Rule 9019 as provided herein.

“RSA Claims” means Subrogation Claims held by Consenting Creditors.

“RSA Deadline” means November 14, 2019, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 herein.

“Settlement” has the meaning set forth in the recitals hereof.

“Settlement Payment Condition” has the meaning set forth in Section 3(a)(iii) hereof.

“Subrogation Claims” means all claims (as such term is defined in section 101(5) of the Bankruptcy Code) against the Debtors related to or in any way arising from the Wildfires that arise from subrogation (whether such subrogation is contractual, equitable or statutory), assignment (whether such assignment is contractual, equitable or statutory), or otherwise in connection with payments made or to be made by the applicable insurer to insured tort victims, and whether arising as a matter of state or federal law, including Section 509 of the Bankruptcy Code, including attorneys’ fees and interest, and shall include Paid Claims and Reserved Claims. For the avoidance of doubt, Subrogation Claims shall not include the claims of any Governmental Unit (as defined in section 101(27) of the Bankruptcy Code) and any such claims shall not be the subject of, or compromised under, this Agreement.

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“Support Period” means the period commencing on the date the conditions set forth in Section 27 herein have been satisfied and ending on the earlier of (i) termination of this Agreement in accordance with Section 5 hereof, and (ii) the Effective Date.

“Transfer” has the meaning set forth in Section 7(a) hereto.

“Transferee” has the meaning set forth in Section 7(a) hereto.

“Wildfire Claims” means Claims against the Debtors resulting from or in any way relating to the Wildfires.

“Wildfires” means the wildfires listed on Schedule 1 hereto.

(b) Rules of Construction. Each reference in this Agreement to “this Agreement”, “hereunder”, “hereof”, “herein”, or words of like import shall mean and be a reference to this Agreement. Including shall mean “including without limitation.” Additionally, for all references to written notices or other writings described herein, electronic mail to the Parties as set forth in Section 18 shall be sufficient. When a reference is made in this Agreement to a Section, Exhibit, or Schedule, such reference shall be to a Section, Exhibit, or Schedule, respectively, of or attached to this Agreement unless otherwise indicated. Unless the context of this Agreement otherwise requires, (i) words using the singular or plural number also include the plural or singular number, respectively, (ii) the words “include,” “includes” and “including” when used herein shall be deemed in each case to be followed by the words “without limitation,” and (iii) the word “or” shall not be exclusive and shall be read to mean “and/or.” The Parties agree that they have been represented by legal counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding, or rule of construction providing that ambiguities in an agreement or other document shall be construed against the party drafting such agreement or document.

## 2. Commitment of the Consenting Creditors.

(a) Affirmative Covenants. Subject to the terms and conditions hereof, for the duration of the Support Period, each Consenting Creditor shall:

(i) Support and cooperate with the Debtors to obtain confirmation of the Plan, provided that, notwithstanding anything to the contrary herein, nothing in this Agreement shall be deemed to (A) create an obligation to (1) take any actions outside the Chapter 11 Cases, or in the Chapter 11 Cases unrelated to the treatment of Subrogation Claims, (2) take actions inconsistent with any legal or contractual obligation or duty that the Consenting Creditor reasonably believes that it has under the law, or (3) assist the Company in connection with any regulatory or legislative action, or (B) limit the right of a Consenting Creditor to object to a provision of the Plan unrelated to the Settlement or implementation of the Settlement, which objection shall be limited and not seek to preclude or delay confirmation of the Plan;

(ii) timely vote or cause to be voted (when solicited to do so in accordance with this Agreement after receipt of a Disclosure Statement approved by the Bankruptcy Court and by the applicable deadline for doing so) all of its RSA Claims to accept the Plan, and not to change or withdraw such vote (or cause or direct such vote to be changed or withdrawn) prior to the voting deadline to accept or reject the Plan; provided that such vote may, upon written notice to the Debtors and the other Parties, be revoked (and, upon such revocation, deemed void *ab initio*) by any Consenting Creditor at any time following the expiration of the Support Period with respect to such Consenting Creditor, provided further that if the Court determines the Debtors are insolvent and the Debtors file an Insolvent Plan, the Consenting Creditors shall be free to vote for or against such Insolvent Plan, and, subject to the Consenting Creditors’ rights to terminate the RSA and seek a higher claim amount as set forth below, the Subrogation Claims will continue to be allowed in the Allowed Subrogation Claim Amount;

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(iii) timely vote (or cause to be voted) its RSA Claims against any plan, plan proposal, restructuring proposal, offer of dissolution, winding up, liquidation, sale or disposition, reorganization, merger or restructuring of the Company other than the Plan (each, an “Alternative Restructuring”), provided that if the Court determines the Debtors are insolvent and the Debtors file an Insolvent Plan, the Consenting Creditors shall be free to vote for or against any Alternative Restructuring, including an Insolvent Plan;

(iv) cooperate in good faith with respect to any subpoena served on the holders of the RSA Claims or their counsel (whether prior to or after the effectiveness of this Agreement) in connection with or related to Estimation Proceedings; and

(v) enter into a joint stipulation with the Debtors in any Estimation Proceedings that (A) informs the relevant court that the Debtors are no longer moving to estimate the Subrogation Claims and (B) withdraws the Consenting Creditors and the Ad Hoc Professionals from any such proceeding (as applicable), without prejudice, when the RSA Approval Order is entered by the Bankruptcy Court.

(b) Negative Covenants. Subject to the terms and conditions hereof, for the duration of the Support Period, each Consenting Creditor shall not:

(i) delay, impede, or take any other action to interfere with the acceptance or implementation of the Plan, including to vote any RSA Claims to reject the Plan; provided that (A) objecting to a provision of the Plan unrelated to the Settlement or implementation of the Settlement (which objection shall be limited and not seek to preclude or delay confirmation of the Plan), and (B) participating in any ordinary course governmental processes in a manner unrelated to the treatment of Subrogation Claims and the terms of the Settlement, in each case, shall not be deemed to delay, impede, or interfere with confirmation of the Plan; provided that taking any action under either clause (A) or (B) of this Section 2(b)(i) shall not in any way be a basis for a Consenting Creditor to not vote RSA Claims to accept the Plan (it being agreed by the Debtors that the vote of a Consenting Creditor to accept the Plan shall not be deemed to waive or otherwise limit its right to object to a provision of the Plan under clause (A) of this Section 2(b)(i));

(ii) subject to the proviso in Section 2(a)(iii) hereof as to voting, directly or indirectly, file, propose, support, solicit, assist, encourage, or participate in the formulation of or vote for any Alternative Restructuring or settlement of the Subrogation Claims other than as set forth herein, provided that nothing herein precludes the Debtors and the Ad Hoc Subrogation Group from negotiating together with any other creditor constituencies or participating in mediation to achieve global consensus;

(iii) take any action to delay, impede, or contest any Estimation Proceedings; or

(iv) directly or indirectly, encourage any entity to undertake any action prohibited by this Section 2(b).

Nothing in this Agreement shall prohibit any Consenting Creditor from (A) taking any action with regard to any Claims or interests it holds that are not RSA Claims, (B) appearing as a party-in-interest in any matter arising in the Chapter 11 Cases, and (C) taking or directing any action to be taken relating to maintenance, protection, preservation or defense of any Claims and interests; provided that, in each case, any such action is not inconsistent with such Consenting Creditor’s obligations hereunder; and nothing in this Agreement shall prohibit any Consenting Creditor from (X) enforcing any right, remedy, condition, consent, or approval requirement under this Agreement or any Definitive Documents, or (Y) taking any action to oppose any Alternative Restructuring. For the avoidance of doubt, notwithstanding the foregoing sentence, nothing in this Agreement shall prohibit any Consenting Creditor from taking any action with regard to any administrative expense claims that it holds against the Debtors, or the Debtors from taking any action with respect thereto.

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3. **Covenants of the Company.**

Company shall:

(a) **Affirmative Covenants of the Company.** Subject to the terms and conditions hereof, for the duration of the Support Period, the

(i) use commercially reasonable efforts to propose and pursue the Plan and seek the entry of a Confirmation Order, which incorporate the terms of the Settlement including any conditions thereto (including all of the terms hereof relating to the treatment of, and distributions on Subrogation Claims and the Aggregate Subrogation Recovery), provided that if the Bankruptcy Court determines the Debtors are insolvent, the Debtors may file a revised plan that does not pay subrogation claimants \$11 billion in cash on \$11 billion of allowed claims, provided, however, that such revised plan shall not subordinate the class of Subrogation Claims to the class of IP Claims (an “Insolvent Plan”);

(ii) use commercially reasonable efforts to support, implement, and complete the Settlement and all transactions contemplated under this Agreement, including incorporating the Settlement into the applicable Definitive Documents;

(iii) upon entry into any settlement with any holder or holders of IP Claims that fixes the amount or terms for satisfaction of an IP Claim, including with respect to rights against a post-Effective Date trust established for the resolution and payment of such Claims, require, as a condition to payment or other distribution to or for the benefit of such holder pursuant to such settlement or other agreement, that the holder of the IP Claim contemporaneously execute and deliver a release and waiver of any potential made-whole claims against present and former holders of Subrogation Claims substantially in the form attached hereto as Exhibit B (the “Settlement Payment Condition”), provided that the Confirmation Order shall deem each holder of a Subrogation Claim that is a beneficiary of a release and waiver of made-whole claims executed by a holder of an IP Claim as set forth herein to have released such holder of an IP Claim from any claim to such holder’s recovery from the Debtors on account of such settled IP Claim; provided further that if the Bankruptcy Court determines the Debtors are insolvent, the Debtors will no longer be required to condition payments or other distributions pursuant to such a settlement on the holder of the IP Claim contemporaneously executing a release of made whole claims for the portion of their allowed claims against the Debtors’ estates that are not fully satisfied under the revised plan;

(iv) use commercially reasonable best efforts to seek confirmation of the Plan on or prior to automatic termination of this Agreement pursuant to Section 5(b) hereof);

(v) propose and pursue the Plan and seek entry of a Confirmation Order that contain (and any plan and confirmation order pursued by the Debtors shall contain) the following provisions, findings and orders, as applicable in substantially the form set forth below (the “Findings and Orders”), provided that, if the Bankruptcy Court determines the Debtors are insolvent, the Debtors will not be required to pursue a plan or confirmation order with the finding set forth in Section 3(a)(v)(A) below:

(1) the Bankruptcy Court “has determined that the resolution of the insolvency proceeding provides funding or establishes reserves for, provides for assumption of, or otherwise provides for satisfying any prepetition wildfire claims asserted against the electrical corporation in the insolvency proceeding in the amounts agreed upon in any pre-insolvency proceeding settlement agreements or any post-insolvency settlement agreements, authorized by the court through an estimation process or otherwise allowed by the court;” and

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(2) any settlement or other agreement with any holder or holders of an IP Claim that fixes the amount or terms for satisfaction of an IP Claim, including with a post-Effective Date trust established for the resolution and payment of such claims, shall contain the Settlement Payment Condition, subject to the provisos of Section 3(a)(iii);

(vi) use commercially reasonable efforts to promptly notify or update counsel to the Ad Hoc Subrogation Group upon becoming aware of any of the following occurrences: (A) a Creditor Termination Event has occurred, or (B) any event that would reasonably be expected to materially impede or prevent implementation of the Settlement;

(vii) unless the Company obtains the prior written consent of a Consenting Creditor: (A) use the information regarding any Subrogation Claims owned at any time by such Consenting Creditor (the “Confidential Claims Information”) solely in connection with this Agreement (including any disputes relating thereto); and (B) except as required by law, rule, or regulation or by order of a court, including the Bankruptcy Court, or as requested or required by the Securities and Exchange Commission or by any other federal or state regulatory, judicial, governmental, or supervisory authority or body, keep the Confidential Claims Information strictly confidential and not disclose the Confidential Claims Information to any other Person. In the event that the Company is required (by law, rule, regulation, deposition, interrogatories, requests for information or documents in legal or administrative proceedings, subpoena, civil investigative demand or other similar process, or by any governmental, judicial, regulatory, or supervisory body) to disclose the Confidential Claims Information or the contents thereof, the Company shall, to the extent legally permissible, provide affected Consenting Creditors with prompt notice of any such request or requirement so that such Consenting Creditors may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this section at such Consenting Creditor’s sole cost and expense. In no event shall this Agreement be construed to impose on a Consenting Creditor an obligation to disclose the price for or terms pursuant to which it acquired or disposed of any Subrogation Claim. The Company’s obligations under this section shall survive termination of this Agreement;

(viii) (A) pay the reasonable documented and contractual fees of the Ad Hoc Professionals invoiced following entry of the RSA Approval Order on a monthly basis promptly following receipt of summary invoices; and (B) on the Effective Date, pay or reimburse the members of the Ad Hoc Subrogation Group for the reasonable, documented and contractual professional fees and expenses invoiced through entry of the RSA Approval Order by the Ad Hoc Professionals up to an aggregate amount of \$55 million (which cap shall apply to fees and expenses invoiced before and after entry of the RSA Approval Order and which shall include success fees, transaction fees or similar fees);

(ix) negotiate in good faith to provide each holder of Subrogation Claims the opportunity to receive on account of its Subrogation Claim any equity distribution (other than a rights offering) offered under the Plan on the same terms and at the same valuation as offered to any holder of an unsecured claim (including, an unsecured IP Claim or unsecured IP Claims as a class) in satisfaction of the Allowed Subrogation Claim in lieu of cash (the “Non-Cash Recovery”);

(x) enter into a joint stipulation with the Consenting Creditors in any Estimation Proceedings that (A) informs the relevant court that the Debtors are no longer moving to estimate the Subrogation Claims and (B) withdraws the Consenting Creditors and the Ad Hoc Professionals from any such proceeding (as applicable) without prejudice when the RSA Approval Order is entered by the Bankruptcy Court; and

(xi) cause each of its direct and indirect subsidiaries, whether a Party to this Agreement or not, to comply with the terms of this Agreement as if such entity were a Debtor entity party hereto.

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(b) Negative Covenants of the Company. Subject to the terms and conditions hereof, for the duration of the Support Period, the Company shall not, directly or indirectly:

(i) propose, pursue, or support any Plan or Confirmation Order that does not incorporate the terms of the Settlement, including the Findings and Orders, and is not otherwise consistent with the terms hereof (except for an Insolvent Plan if the Bankruptcy Court determines the Debtors are insolvent);

(ii) propose, support, solicit, encourage, or participate in any chapter 11 plan or settlement of the Subrogation Claims other than as set forth herein (except for an Insolvent Plan if the Bankruptcy Court determines the Debtors are insolvent);

(iii) enter into any settlement with any party or include any provisions in a Plan or Confirmation Order that (A) incorporates any priority of payments or waterfall provision that prioritizes recoveries on any other non-priority unsecured claims ahead of Subrogation Claims, (B) otherwise materially impairs the Debtors' ability to pay the Aggregate Subrogation Recovery in cash on the Effective Date, or (C) expressly reserves the right of any holder of IP Claims to pursue made-whole claims against holders of Subrogation Claims;

(iv) directly or indirectly, take any actions, or fail to take any actions, where such taking or failing to take actions would be, in either case, (A) inconsistent with this Agreement or (B) otherwise inconsistent with, or reasonably expected to prevent, interfere with, delay or impede the implementation or consummation of, the Plan or the Settlement; or

(v) directly or indirectly, encourage any entity to undertake any action prohibited by this Section 3(b).

**4. ALLOWED SUBROGATION CLAIM AMOUNT.** The Parties agree to settle the Subrogation Claims for an aggregate allowed claim amount of \$11 billion pursuant to Bankruptcy Rule 9019 (the "Allowed Subrogation Claim Amount"). The Allowed Subrogation Claim Amount, shall be binding in the Chapter 11 Cases, and shall survive termination of this Agreement, except as otherwise expressly provided in this Agreement. Notwithstanding the allowance of Subrogation Claims as provided herein, the right of the Ad Hoc Subrogation Group to object to proofs of claim filed by individual holders of Subrogation Claims that are not parties to this Agreement shall be expressly reserved. At any time the Allowed Subrogation Claim Amount remains binding pursuant to the terms hereof, whether prior to or subsequent to the termination of this Agreement, absent the consent of the Requisite Consenting Creditors, the Debtors shall not (a) settle any Subrogation Claims, including with respect to the allowed amount of such Claim, or (b) object to any Subrogation Claim.

**5. Termination.**

(a) Individual Consenting Creditor Termination. Any individual holder of Subrogation Claims shall be entitled to terminate this Agreement as to itself if the Aggregate Subrogation Recovery is modified.

(b) Automatic Termination: This Agreement will terminate automatically if, (i) the Plan is not confirmed by June 30, 2020 (or such later date as may be authorized by any amendment to A.B. 1054), or (ii) the Effective Date does not occur prior to December 31, 2020 (or six months following the deadline for confirmation of the Plan if such deadline is extended by any amendment to A.B. 1054); provided, the deadlines set forth in items (i) and (ii) of the foregoing may be extended by mutual written consent of the Debtors and Consenting Creditors holding at least 51% of the dollar amount of the RSA Claims then party to this Agreement. For the avoidance of doubt, following a termination pursuant to this Section 5(b) the Allowed Subrogation Claim Amount shall be binding in the Chapter 11 Cases, and shall survive termination of this Agreement.

(c) Insolvency Termination. The Requisite Consenting Creditors may terminate this Agreement if, upon the advice of the Ad Hoc Professionals (after consultation with the Debtors' professionals), they

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reasonably determine in good faith at any time prior to confirmation of the Plan, that the Debtors are (i) insolvent (whether as a result of judicial findings arising from the Estimation Proceedings, litigation related to the IP Claims, the incurrence of post-petition wildfire liabilities, or otherwise), or (ii) unable to raise sufficient capital to pay the Aggregate Subrogation Recovery in cash and any agreed upon Non-Cash Recovery on the Effective Date; provided that the Debtors shall retain the right to promptly contest any such determination with the dispute to be determined by the Bankruptcy Court whose determination shall be binding for purposes of this Agreement. If the Requisite Consenting Creditors elect to terminate this Agreement following either of the foregoing determinations, subject to the Bankruptcy Court's ruling if such determination is disputed by the Debtors, (an "Insolvency Termination") then the Allowed Subrogation Claim Amount shall no longer be binding in the Chapter 11 Cases, and the holders of Subrogation Claims, the Debtors and other parties in interest shall have all rights reserved, including with respect to the amount, future allowability and treatment of all Subrogation Claims.

(d) Requisite Consenting Creditors Termination Events. The Requisite Consenting Creditors may terminate this Agreement, in each case, upon delivery of written notice to the Company at any time after the occurrence of or during the continuation of any of the following events (each, a "Creditor Termination Event"):

(i) the breach by the Company of any of its obligations, representations, warranties, or covenants set forth in this Agreement;

(ii) The Debtors at any time either (A) fail to propose and pursue a Plan and Confirmation Order that contain the terms of the Settlement, including the Findings and Orders, and are otherwise consistent with the terms hereof, or (B) propose, pursue or support or announce in writing or in court an intention to propose, pursue or support a Plan or Confirmation Order inconsistent with the terms of the Settlement, the Findings and Orders, or the terms hereof;

(iii) The Plan proposed and pursued by the Debtors does not treat the IP Claims consistent with the provisions of A.B. 1054;

(iv) The Bankruptcy Court allows a plan proponent other than the Debtors to commence soliciting votes on a plan other than the Plan incorporating the Settlement, and the Debtors have not already solicited, or are not simultaneously soliciting, votes on the Plan incorporating the Settlement;

(v) The Bankruptcy Court confirms a plan other than the Plan incorporating the Settlement;

(vi) The Plan is, or is modified to be, inconsistent with the Settlement;

(vii) The issuance, promulgation, or enactment by any governmental entity, including any regulatory or licensing authority or court of competent jurisdiction (including, without limitation, an order of the Bankruptcy Court which has not been stayed), of any statute, regulation, ruling or order declaring the Plan or any material portion thereof (in each case, to the extent it relates to the Settlement or the terms hereof) to be unenforceable or enjoining or otherwise restricting the consummation of any material portion of the Plan (to the extent it relates to the Settlement) or the Settlement, and such ruling, judgment, or order has not been stayed, reversed, or vacated, within fifteen (15) calendar days after issuance;

(viii) a trustee under section 1104 of the Bankruptcy Code or an examiner with expanded powers shall have been appointed in the Chapter 11 Cases; or

(ix) an order for relief under chapter 7 of the Bankruptcy Code shall have been entered in the Chapter 11 Cases, or the Chapter 11 Cases shall have been dismissed, in each case by order of the Bankruptcy Court.

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Notwithstanding the foregoing, the Debtors shall have ten (10) days from the receipt of any such written notice of termination from the Requisite Consenting Creditors specifying the purported default or Creditor Termination Event to cure any purported default or Creditor Termination Event under this section and no termination of this Agreement shall be effective unless and until the expiration of such ten (10) day period without such purported default or Creditor Termination Event being waived or cured, provided that such ten (10) day period shall not be applicable to the extent passage of such period would materially impair the rights of Consenting Creditors to object to, vote against, or appear in Court with respect to the Plan, which actions shall be permitted following written notice of termination from the Requisite Consenting Creditors only if the deadline to object to or vote on the Plan, or a court hearing on the Plan, occurs within such ten (10) day period. The Requisite Consenting Creditors may elect to pursue a higher claim amount by written notice to the Debtors of such election within ten (10) days of termination following a Creditor Termination Event (the “Allowance Termination Notice”). Following the delivery of an Allowance Termination Notice, the Allowed Subrogation Claim Amount shall no longer be binding in the Chapter 11 Cases, and the holders of Subrogation Claims, the Debtors and other parties in interest shall have all rights reserved, including with respect to the amount, future allowability and treatment of all Subrogation Claims.

(e) Debtors Termination. The Debtors may terminate this Agreement by written notice to the Ad Hoc Professionals upon (each, a “Debtor Termination Event”):

(i) the breach by Consenting Creditors holding at least 5% of the RSA Claims then party to this Agreement (measured either by dollar amount or number of holders) of any of their undertakings, obligations, representations, warranties, or covenants set forth in this Agreement and thereafter the Allowed Subrogation Claim Amount shall no longer be binding in the Chapter 11 Cases, and the holders of Subrogation Claims, the Debtors and other parties in interest shall have all rights reserved, including with respect to the amount, future allowability and treatment of all Subrogation Claims; or

(ii) (A) The Bankruptcy Court confirms a plan other than the Plan incorporating the Settlement, or (B) the issuance, promulgation, or enactment by any governmental entity, including any regulatory or licensing authority or court of competent jurisdiction (including, without limitation, an order of the Bankruptcy Court which has not been stayed), of any statute, regulation, ruling or order declaring the Plan or any material portion thereof (in each case, to the extent it relates to the Settlement or the terms hereof) to be unenforceable or enjoining or otherwise restricting the consummation of any material portion of the Plan (to the extent it relates to the Settlement) or the Settlement, and such ruling, judgment, or order has not been stayed, reversed, or vacated, within fifteen (15) calendar days after issuance. For the avoidance of doubt, following a termination pursuant to this Section 5(e)(i), unless otherwise ordered by a court of competent jurisdiction or governmental entity, the Allowed Subrogation Claim Amount shall be binding in the Chapter 11 Cases, and shall survive such termination of this Agreement, subject to the right of the Requisite Consenting Creditors to deliver an Allowance Termination Notice as set forth above.

Notwithstanding the foregoing, the Consenting Creditors shall have ten (10) days from the receipt of any such written notice of termination from the Debtors specifying the purported default or Debtor Termination Event to cure any purported default or Debtor Termination Event under this section and no termination of this Agreement shall be effective unless and until the expiration of such ten (10) day period without such purported default or Debtor Termination Event being waived or cured. The Debtor Termination Event set forth in Section 5(e)(i) shall be deemed cured if, ten (10) days after receipt of the termination notice, non-breaching Consenting Creditors then party to this Agreement (A) hold at least 95% of the RSA Claims (in dollar amount), and (B) out number RSA Claim holders breaching this Agreement by a ratio of 19-1.

(f) Termination Generally.

(i) No Party may terminate this Agreement based on an event caused by such Party’s own failure to perform or comply in all material respects with the terms and conditions of this





Agreement (unless such failure to perform or comply arises as a result of another Party's actions or inactions).

(ii) Upon termination of this Agreement in accordance with this Section 5, all Parties shall be released from any prospective commitments, undertakings, and agreements under or related to this Agreement other than obligations under this Agreement which by their terms expressly survive termination.

(iii) For the avoidance of doubt, (A) termination of this Agreement shall not relieve any Party of any liability on account of any breach hereof, including any breach of covenants, and the Parties may pursue remedies at law or in equity, (B) without limiting the foregoing, termination does not relieve any Consenting Creditor from liability to any other Consenting Creditor for any intentional or knowing breach hereof, (C) notwithstanding anything herein to the contrary, the delivery of the Allowance Termination Notice to the Debtors shall not be required upon the occurrence of an Insolvency Termination in order for the holders of RSA Claims, the Debtors or other parties in interest to exercise all of their respective rights, including with respect to the amount, future allowability and treatment of all Subrogation Claims, and (D) absent the delivery of an Allowance Termination Notice, the occurrence of an Insolvency Termination, or termination by the Debtors of this Agreement in accordance with Section 5(e)(i) hereof, the Allowed Subrogation Claim Amount, and each holder's share thereof, shall remain an allowed claim and binding in these Chapter 11 Cases even if a Debtor is in breach of this Agreement.

## **6. Mutual Representations, Warranties.**

Each of the Parties, severally and not jointly, represents and warrants to each other Party that the following statements are true, correct, and complete as of the date hereof (or, if later, the date that such Party first became or becomes a Party) but, solely with respect to the Company, subject to any limitations or approvals arising from, or required by, the commencement of the Chapter 11 Cases:

- (a) it is validly existing and in good standing under the laws of the state of its organization, and this Agreement is a legal, valid, and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability;
  - (b) except as expressly provided in this Agreement or as may be required for disclosure by the Securities and Exchange Commission, no material consent or approval of, or any registration or filing with, any governmental authority or regulatory body is required for it to carry out the Settlement contemplated by, and perform its obligations under, this Agreement;
  - (c) except as expressly provided in this Agreement, it has all requisite organizational power and authority to enter into this Agreement and to carry out the Settlement contemplated by, and perform its obligations under, this Agreement;
  - (d) the execution and delivery by it of this Agreement, and the performance of its obligations hereunder, have been duly authorized by all necessary organizational action on its part;
  - (e) it has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement; and
  - (f) the execution, delivery, and performance by such Party of this Agreement does not and will not (i) violate any provision of law, rule, or regulation applicable to it or any of its subsidiaries or its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries, (ii) conflict with, result in a breach of, or constitute (with or without notice or lapse of time or both) a default under any material debt for borrowed
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money to which it or any of its subsidiaries is a party, or (iii) violate any order, writ, injunction, decree, statute, rule, or regulation.

**7. Transfer of Claims**

(i) Each Consenting Creditor agrees that it shall not sell, assign, grant, transfer, convey, hypothecate or otherwise dispose of (each, a “Transfer”) any RSA Claims now owned or hereafter acquired, or any option thereon or any right or interest (voting or otherwise) in any or all of its RSA Claims, except to a party that (i) is a Consenting Creditor, or (ii), as a condition subsequent to the effectiveness of any such Transfer, executes and delivers a Transfer Agreement in the form attached hereto as Exhibit C to counsel to the Ad Hoc Subrogation Group, the Company, and to Weil, Gotshal & Manges LLP no more than five (5) Business Days after the settlement of the relevant Transfer (a “Transferee”), and any such RSA Claim automatically shall be deemed to be subject to the terms of this Agreement. With respect to any Transfers effectuated in accordance with clause (ii) above, (A) such Transferee shall be deemed to be a Consenting Creditor for purposes of this Agreement, and (B) the Company shall be deemed to have acknowledged such Transfer.

(ii) This Agreement shall in no way be construed to preclude any Consenting Creditor from acquiring additional Subrogation Claims against the Company; provided, that, (i) any such additional Subrogation Claims automatically shall be deemed to be RSA Claims and shall be subject to all of the terms of this Agreement and (ii) each such Consenting Creditor agrees that such additional RSA Claims shall be subject to this Agreement.

(iii) Any Transfer of RSA Claims that does not comply with this Section 7 shall be deemed null and void *ab initio* in all respects and without further action by any Party.

(iv) Notwithstanding anything herein to the contrary, to the extent that a Consenting Creditor effects the Transfer of all of its Subrogation Claims in accordance with this Agreement, including, for the avoidance of doubt, in accordance with the foregoing portion of this Section 7, such Consenting Creditor shall cease to be a Party to this Agreement in all respects and shall have no further obligations hereunder.

**8. Cooperation.** Each Party hereby covenants and agrees to cooperate with each other in good faith in connection with, and shall exercise commercially reasonable efforts with respect to the pursuit, approval, negotiation, execution, delivery, and implementation of the Settlement and the Plan, subject to the same provisos contained in Sections 2(a)(i) and 2(b) of this Agreement. The Company shall use commercially reasonable efforts to provide counsel for the Ad Hoc Subrogation Group drafts of all motions, applications, and other substantive pleadings (including Plan and/or Disclosure Statement amendments) the Company intends to file with the Bankruptcy Court to implement the Settlement (or that could reasonably be expected to affect implementation of the Settlement) at least three (3) calendar days before the date when the Company intends to file such pleading, unless such advance notice is impossible or impracticable under the circumstances, in which case the Company shall use commercially reasonable efforts to notify telephonically or by electronic mail counsel to the Ad Hoc Subrogation Group to advise them as such and, in any event, shall provide such drafts as soon as reasonably practicable.

**9. Amendments.** Unless otherwise specifically provided herein, no amendment, modification, waiver, or other supplement of the terms of this Agreement or Sections 4.6, 4.19, 6.4, 6.5, 6.6 or 10.9 of the Plan (to the extent such Sections impact Subrogation Claims or holders of Subrogation Claims), and any defined terms used or operative documents referenced therein, shall be valid unless such amendment, modification, waiver, or other supplement is in writing and has been signed by the Company and the Requisite Consenting Creditors; provided, however, that (a) any amendment to this Agreement to (i) the defined term “Requisite Consenting Creditors” and any defined term used in that definition, (ii) the defined term “RSA Approval Order,” (iii) Section 5(a) hereof and any defined term used in that Section, (iv) the conditions to the effectiveness of this Agreement set forth in Section 27, and (v) this Section 9, shall require the written consent of the Company and each Consenting Creditor, (b) any amendment to this Agreement that disproportionately affects any Consenting Creditor or modifies any Consenting Creditor’s obligations under Sections 2 or 8 hereof shall require the written consent of such Consenting Creditor, and (c) so long as the Plan and the Definitive Documents incorporate the terms

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of the Settlement, including the Findings and Orders, and do not adversely affect the Settlement or the rights of the Parties under this Agreement no consent of any Consenting Creditor shall be required to amend or otherwise modify the terms of the Plan or any other Definitive Document subject to the first sentence of this Section 9, and provided that Section 10.10 of the Plan shall not be deemed to authorize the subordination of Subrogation Claims. Notwithstanding anything herein to the contrary, any material modifications or amendments to this Agreement shall be subject to Bankruptcy Court approval on not less than five (5) Business Days' notice.

**10. Entire Agreement.** This Agreement constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all other prior negotiations, agreements and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement; provided, however, that any confidentiality agreement executed by any Consenting Creditor or Ad Hoc Professionals shall survive this Agreement and shall continue to be in full force and effect in accordance with their terms.

**11. SURVIVAL OF AGREEMENT.** Notwithstanding the termination of this Agreement, the agreements and obligations of the Parties that expressly survive termination by their terms and those in Sections 10 through 27 (and any defined terms used in any such Sections) shall survive such termination and shall continue in full force and effect in accordance with the terms hereof, and any liability of a Party for failure to comply with the terms of this Agreement shall survive termination.

**12. No Waiver of Participation and Preservation of Rights.** Except as specifically provided in Sections 4 and 5 with respect to the Allowed Subrogation Claim Amount, if the transactions contemplated herein are not consummated, or following the occurrence of the termination of this Agreement with respect to all Parties, nothing herein shall be construed as a waiver by any Party of any or all of such Party's rights, remedies, claims, and defenses and the Parties expressly reserve any and all of their respective rights, remedies, claims and defenses.

**13. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same agreement. Execution copies of this Agreement may be delivered by electronic mail in portable document format (pdf.), facsimile or otherwise, which shall be deemed to be an original for the purposes of this paragraph.

**14. Headings.** The headings of the Sections, paragraphs, and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof or, for any purpose, be deemed a part of this Agreement.

**15. Relationship Among Parties.** Notwithstanding anything herein to the contrary, the duties and obligations of the Consenting Creditors under this Agreement shall be several, not joint. No Consenting Creditor shall, as a result of its entering into and performing its obligations under this Agreement, be deemed to be part of a "group" (as that term is used in section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder) with any of the other Consenting Creditors. It is understood and agreed that no Consenting Creditor has any duty of trust or confidence in any kind or form with any other Consenting Creditor, and, except as expressly provided in this Agreement, there are no commitments among or between them. No prior history, pattern, or practice of sharing confidences among or between the Consenting Creditors shall in any way affect or negate this understanding and agreement.

**16. Remedies.** It is understood and agreed by the Parties that, without limiting any other remedies available at law or equity, money damages would be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party (including non-breaching Consenting Creditors, if the breaching Party is another Consenting Creditor) shall be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach, including, without limitation, an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder, without the necessity of proving the inadequacy of money damages as a remedy. Each of the Parties hereby waives

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any defense that a remedy at law is adequate and any requirement to post bond or other security in connection with actions instituted for injunctive relief, specific performance, or other equitable remedies.

**17. Jury Trial, Governing Law and Dispute Resolution.**

(v) This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York and applicable federal law, without giving effect to the conflicts of law principles thereof.

(vi) Each Party irrevocably agrees that any legal action, suit or proceeding arising out of or relating to this Agreement brought by any party or its successors or assigns shall be brought and determined in the Bankruptcy Court and each Party hereby irrevocably submits to the exclusive jurisdiction of the Bankruptcy Court and, if the Bankruptcy Court does not have (or abstains from) jurisdiction, Courts of the State of California and of the United States District Court of the Northern District of California, and any appellate court from any thereof, for itself and with respect to its property, generally and unconditionally, with regard to any such proceeding arising out of or relating to this Agreement. Each Party further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each Party hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any proceeding arising out of or relating to this Agreement, (i) any claim that it is not personally subject to the jurisdiction of the Bankruptcy Court as described herein for any reason, (ii) that it or its property is exempt or immune from jurisdiction of such court or from any legal process commenced in such court (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) that (A) the proceeding in such court is brought in an inconvenient forum, (B) the venue of such proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such court.

**(vii) EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.**

**18. Notices.** All notices hereunder shall be deemed given if in writing and delivered, if contemporaneously sent by electronic mail, facsimile, courier or by certified mail (return receipt requested) to the following addresses and facsimile numbers:

PG&E Corporation  
77 Beale Street  
San Francisco, CA 94105  
Attention: Janet Loduca (j1lc@pge.com)

With a copy to:

Weil, Gotshal & Manges LLP 767 Fifth Avenue  
New York, NY 10153  
Attention: Stephen Karotkin, Jessica Liou, and Matthew Goren  
(stephen.karotkin@weil.com, jessica.liou@weil.com, matthew.goren@weil.com)

- and -

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Cravath, Swaine & Moore LLP 825 8th Avenue  
New York, NY 10019  
Attention: Kevin Orsini and Paul Zumbro (korsini@cravath.com, pzumbro@cravath.com)

If to a Consenting Creditor, to the address set forth beneath such creditor's signature block, and, if to a member of the Ad Hoc Subrogation Group, with a copy to:

Willkie Farr & Gallagher LLP  
787 Seventh Avenue  
New York, NY 10019  
Attention: Matthew A. Feldman, Joseph G. Minias, and Daniel I. Forman (mfeldman@willkie.com, jminias@willkie.com, and dforman@willkie.com)

For the avoidance of doubt when written notice or approval from Requisite Consenting Creditors is required by this Agreement, electronic mail from Requisite Consenting Creditors' counsel to Company's counsel shall be sufficient. Any notice given by mail or courier shall be effective when received. Any notice given by facsimile or electronic mail shall be effective upon oral, machine or electronic mail (as applicable) confirmation of transmission.

**19. no assignments; Third-Party Beneficiaries.** Except as expressly provided herein, this Agreement may not be assigned by any Party. The terms and provisions of this Agreement are intended solely for the benefit of the Parties hereto and their respective successors, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other Person.

**20. [reserved].**

**21. Settlement Discussions.** This Agreement is part of a proposed settlement of matters that could otherwise be the subject of litigation among the Parties hereto. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than to prove the existence of this Agreement or in a proceeding to enforce the terms of this Agreement.

**22. Good-Faith Cooperation; Further Assurances.** Subject to the terms and conditions hereof, the Parties shall take such action as may be reasonably necessary or reasonably requested by the other Party to carry out the purposes and intent of this Agreement.

**23. Qualification on Consenting Creditor Representations.** The Parties acknowledge that all representations, warranties, covenants, and other agreements made by any Consenting Creditor are made solely in such creditor's capacity as a holder of Subrogation Claims. The Parties further acknowledge that all representations, warranties, covenants, and other agreements made by any Consenting Creditor that is a separately managed account of an investment manager are being made only with respect to the Claims managed by such investment manager (in the amount identified on the signature pages hereto), and shall not apply to (or be deemed to be made in relation to) any Claims that may be beneficially owned by such Consenting Creditor that are not held through accounts managed by such investment manager.

**24. Publicity.** The Company shall use commercially reasonable efforts to submit drafts to the Ad Hoc Professionals of any press releases and public documents that constitute disclosure of the existence or terms of this Agreement or any amendment to the terms of this Agreement at least three (3) Business Days prior to making any such disclosure, and shall afford them a reasonable opportunity under the circumstances to comment on such documents and disclosures and shall incorporate any such reasonable comments in good faith.

**25. SEVERABILITY.** If any provision of this Agreement, or the application of any such provision to any person or entity or circumstance, shall be held invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such

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provision hereof and this Agreement shall continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon any such determination of invalidity, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a reasonably acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

**26. Additional Consenting Creditors.** Any holder of Subrogation Claims may at any time become a party to this Agreement as a Consenting Creditor (a "Joining Party") by executing a joinder agreement (the "Joinder") substantially in the form attached as Exhibit D hereto, pursuant to which such Joining Party represents and warrants to the Company and the other Consenting Creditors that it agrees to be bound by the terms of this Agreement as a Consenting Creditor hereunder.

**27. effectiveness of the Restructuring Support Agreement.**

Except as set forth in the immediately succeeding sentence, this Agreement shall be effective and binding on all Parties upon (a) execution and delivery of signature pages to the Company of Consenting Creditors holding, as reflected on the signature pages hereto, at least 70% in dollar amount of all Subrogation Claims, including at least 70% of the dollar amount of all Subrogation Claims and more than 50% in number of holders for each of the asterisked Northern California wildfires listed in Schedule 1 hereto, and (b) entry of the RSA Approval Order. Upon execution of this Agreement by such Consenting Creditors and the Debtors until the earlier of entry of the RSA Approval Order and the RSA Deadline, the Debtors shall proceed in good faith to seek Bankruptcy Court approval of this Agreement and the Parties shall not, directly or indirectly, propose, file, support, solicit, encourage or participate in any chapter 11 plan or settlement of the Subrogation Claims other than as set forth herein. This Agreement shall be null and void, and of no further force or effect, if the RSA Approval Order is not entered by the RSA Deadline.

**[Signature Pages Follow]**

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

**PG&E CORPORATION**

By:           /s/ Janet C. Loduca          

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

**PACIFIC GAS AND ELECTRIC COMPANY**

By:           /s/ Janet C. Loduca          

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

[Signature pages of Consenting Creditors omitted and on file with the registrant]

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**Schedule 1**

1. 2017 North Bay Wildfires
    - a. 37
    - b. Atlas\*
    - c. Blue
    - d. Cascade/LaPorte Complex\*
    - e. Cherokee\*
    - f. Honey\*
    - g. Lobo\*
    - h. Maacama
    - i. McCourtney\*
    - j. Nuns Complex (including Adobe, Norrbom, Nuns, Partrick, Pressley, Pythian/Oakmont)\*
    - k. Pocket\*
    - l. Point\*
    - m. Redwood/Potter Valley Complex\*
    - n. Sullivan
    - o. Sulphur\*
    - p. Tubbs\*
  
  2. 2018 Camp Fire\*
-



**Exhibit A**

**PLAN**

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WEIL, GOTSHAL & MANGES LLP  
Stephen Karotkin (*pro hac vice*)  
(stephen.karotkin@weil.com)  
Ray C. Schrock, P.C. (*pro hac vice*)  
(ray.schrock@weil.com)  
Jessica Liou (*pro hac vice*)  
(jessica.liou@weil.com)  
Matthew Goren (*pro hac vice*)  
(matthew.goren@weil.com)  
767 Fifth Avenue  
New York, NY 10153-0119  
Tel: 212 310 8000  
Fax: 212 310 8007

Keller & Benvenuti LLP  
Tobias S. Keller (#151445)  
(tkeller@kellerbenvenuti.com)  
Jane Kim (#298192)  
(jkim@kellerbenvenuti.com)  
650 California Street, Suite 1900  
San Francisco, CA 94108  
Tel: 415 496 6723  
Fax: 650 636 9251

*Attorneys for Debtors  
and Debtors in Possession*

**ACCEPTANCES AND REJECTIONS OF THE PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. ALL HOLDERS OF CLAIMS AND INTERESTS ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.**

**United States Bankruptcy Court  
Northern District of CALIFORNIA  
San Francisco Division**

**In re:**

**PG&E CORPORATION,**

**- and -**

**PACIFIC GAS AND ELECTRIC COMPANY,**

**Debtors.**

Affects PG&E Corporation  
Affects Pacific Gas and Electric Company  
Affects both Debtors

*\* All papers shall be filed in the Lead Case, No. 19-30088 (DM).*

Bankruptcy Case  
No. 19-30088 (DM)

Chapter 11

(Lead Case)  
(Jointly Administered)

**DEBTORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION  
DATED NOVEMBER 1, 2019**

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PG&E Corporation and Pacific Gas and Electric Company, the above-captioned debtors, as plan proponents within the meaning of section 1129 of the Bankruptcy Code, propose the following joint chapter 11 plan of reorganization pursuant to section 1121(a) of the Bankruptcy Code. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in Article I of the Plan.

## Article I.

### **Definitions, Interpretation and Consents**

**Definitions.** The following terms used herein shall have the respective meanings defined below (such meanings to be equally applicable to both the singular and plural):

**1.1 2001 Utility Exchange Claim** means any Claim against the Utility arising solely from (a) amounts due to the CAISO, PX, and/or various market participants based on purchases or sales of electricity, capacity, or ancillary services by the Utility and other market participants in markets operated by the CAISO and the PX that are subject to determination by FERC in refund proceedings bearing FERC Docket Nos. EL00-95-000 and EL00-98-000 and related subdockets, and (b) amounts due under any settlement agreements, allocation agreements, escrow agreements, letter agreements, other written agreements, or court orders (including orders entered in the chapter 11 case styled *In re California Power Exchange Corporation*, Case No. LA 01-16577 ES) that expressly relate thereto.

**1.2 503(b)(9) Claim** means a Claim or any portion thereof entitled to administrative expense priority pursuant to section 503(b)(9) of the Bankruptcy Code, which Claim was timely filed and Allowed pursuant to the 503(b)(9) Procedures Order.

**1.3 503(b)(9) Procedures Order** means the *Amended Order Pursuant to 11 U.S.C. §§ 503(b)(9) and 105(a) Establishing Procedures for the Assertion, Resolution, and Satisfaction of Claims Asserted Pursuant to 11 U.S.C. § 503(b)(9)* [Docket No. 725].

**1.4 Administrative Expense Claim** means any cost or expense of administration of any of the Chapter 11 Cases arising on or before the Effective Date that is allowable under section 503(b) of the Bankruptcy Code and entitled to priority under sections 364(c)(1), 503(b) (including 503(b)(9) Claims), 503(c), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code that has not already been paid, including, (a) any actual and necessary costs and expenses of preserving the Debtors' estates, any actual and necessary costs and expenses of operating the Debtors' businesses, any indebtedness or obligations incurred or assumed by one or more of the Debtors, as a debtor in possession, during the Chapter 11 Cases, including, for the acquisition or lease of property or an interest in property or the performance of services, or any fees or charges assessed against the estates of the Debtors under section 1930 of chapter 123 of title 28 of the United States Code, (b) any DIP Facility Claim, (c) any Professional Fee Claim and (d) any Intercompany Claim authorized pursuant to the Cash Management Order.

**1.5 Aggregate Backstop Commitment Amount** means the aggregate amount of all backstop commitments, if any, under all Backstop Commitment Letters; *provided*, however, that if the backstop commitments under all Backstop Commitment Letters shall be \$0, then all consent and other rights hereunder shall no longer apply.

**1.6 Allowed** means, with reference to any Claim or Interest: (a) any Claim listed in the Debtors' Schedules, as such Schedules may be amended from time to time in accordance with Bankruptcy Rule 1009, as liquidated, non-contingent, and undisputed, and for which no contrary proof of Claim has been filed; (b) any Claim or Interest expressly allowed hereunder; (c) any Claim (other than a Subrogation Wildfire Claim) or Interest to which a Debtor and the holder of such Claim or Interest agree to the amount and priority of the Claim or Interest, which agreement is approved by a Final Order; (d) any individual Subrogation Wildfire Claim (not held by a Consenting Creditor or a party to the Subrogation Wildfire Claim Allocation Agreement) to which the Subrogation Wildfire Trustee and the holder of such Claim agree to the amount of such Claim (e) any Claim or Interest that is compromised, settled or otherwise resolved or Allowed pursuant to a Final Order (including any omnibus or procedural Final Order relating to the compromise, settlement, resolution, or allowance of any Claims) or under the

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Plan; or (f) any Claim or Interest arising on or before the Effective Date as to which no objection to allowance has been interposed within the time period set forth in the Plan; *provided*, that notwithstanding the foregoing, unless expressly waived by the Plan, the Allowed amount of Claims or Interests shall be subject to, and shall not exceed the limitations or maximum amounts permitted by, the Bankruptcy Code, including sections 502 or 503 of the Bankruptcy Code, to the extent applicable. The Reorganized Debtors shall retain all Claims and defenses with respect to Allowed Claims that are Reinstated or otherwise Unimpaired under the Plan.

**1.7 Avoidance Action** means any action commenced, or that may be commenced, before or after the Effective Date pursuant to chapter 5 of the Bankruptcy Code including sections 544, 545, 547, 548, 549, 550, or 551 of the Bankruptcy Code.

**1.8 Backstop Approval Order** means an order of the Bankruptcy Court, approving the Backstop Commitment Letters, which order shall be in form and substance satisfactory to the Debtors and the Backstop Parties.

**1.9 Backstop Commitment Letters** means those certain letter agreements, as may be amended or modified from time to time in accordance with the terms thereof and the Backstop Approval Order, pursuant to which the Backstop Parties have agreed to purchase shares of New HoldCo Common Stock on the terms and subject to the conditions thereof.

**1.10 Backstop Parties** means the parties that have agreed to purchase shares of New HoldCo Common Stock on the terms and subject to the conditions of the Backstop Commitment Letters and the Backstop Approval Order.

**1.11 Ballot** means the form(s) distributed to holders of impaired Claims or Interests on which the acceptance or rejection of the Plan is to be indicated.

**1.12 Bankruptcy Code** means title 11 of the United States Code, as applicable to the Chapter 11 Cases.

**1.13 Bankruptcy Court** means the United States Bankruptcy Court for the Northern District of California, having subject matter jurisdiction over the Chapter 11 Cases and, to the extent of any reference withdrawal made under section 157(d) of title 28 of the United States Code, the District Court.

**1.14 Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, applicable to the Chapter 11 Cases, and any Local Rules of the Bankruptcy Court.

**1.15 Business Day** means any day other than a Saturday, a Sunday, or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.

**1.16 CAISO** means the California Independent System Operator Corporation.

**1.17 Cash** means legal tender of the United States of America.

**1.18 Cash Management Order** means the *Final Order Pursuant to 11 U.S.C. §§ 105(a), 345(b), 363(b), and 363(c), and Fed. R. Bankr. P. 6003 and 6004 (i) Authorizing Debtors to (a) Continue Their Existing Cash Management System, (b) Honor Certain Prepetition Obligations Related to the Use Thereof, (c) Continue Intercompany Arrangements, (d) Continue to Honor Obligations Related to Joint Infrastructure Projects, and (e) Maintain Existing Bank Accounts and Business Forms; and (ii) Waiving the Requirements of 11 U.S.C. § 345(b)*, dated March 13, 2019 [Docket No. 881].

**1.19 Cause of Action** means, without limitation, any and all actions, class actions, proceedings, causes of action, controversies, liabilities, obligations, rights, rights of setoff, recoupment rights, suits, damages,

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judgments, accounts, defenses, offsets, powers, privileges, licenses, franchises, Claims, Avoidance Actions, counterclaims, cross-claims, affirmative defenses, third-party claims, Liens, indemnity, contribution, guaranty, and demands of any kind or character whatsoever, whether known or unknown, asserted or unasserted, reduced to judgment or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, secured or unsecured, assertable directly or derivatively, existing or hereafter arising, in contract or in tort, in law, in equity, or otherwise, whether arising under the Bankruptcy Code or any applicable nonbankruptcy law, based in whole or in part upon any act or omission or other event occurring on or prior to the Petition Date or during the course of the Chapter 11 Cases, including through the Effective Date. Without limiting the generality of the foregoing, when referring to Causes of Action of the Debtors or their estates, Causes of Action shall include (a) all rights of setoff, counterclaim, or recoupment and Claims for breach of contracts or for breaches of duties imposed by law or equity; (b) the right to object to any Claim or Interest; (c) Claims (including Avoidance Actions) pursuant to section 362 and chapter 5 of the Bankruptcy Code, including sections 510, 542, 543, 544 through 550, or 553; (d) Claims and defenses such as fraud, mistake, duress, usury, and any other defenses set forth in section 558 of the Bankruptcy Code; and (e) any Claims under any state or foreign law, including any fraudulent transfer or similar claims.

**1.20 Channeling Injunction** means the permanent injunction provided for in Section 10.7 of the Plan with respect to Wildfire Claims to be issued pursuant to, and included in, the Confirmation Order.

**1.21 Chapter 11 Cases** means the jointly administered cases under chapter 11 of the Bankruptcy Code commenced by the Debtors on the Petition Date in the Bankruptcy Court and currently styled *In re PG&E Corporation and Pacific Gas and Electric Company*, Ch. 11 Case No. 19-30088 (DM) (Jointly Administered).

**1.22 Chief Executive Officer** means William D. Johnson, the current chief executive officer of HoldCo.

**1.23 Claim** has the meaning set forth in section 101(5) of the Bankruptcy Code.

**1.24 Claims Resolution Procedures** means, collectively, the Other Wildfire Claims Resolution Procedures and the Subrogation Wildfire Claim Allocation Agreement.

**1.25 Class** means any group of Claims or Interests classified herein pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

**1.26 Collateral** means any property or interest in property of the estate of any Debtor subject to a lien, charge, or other encumbrance to secure the payment or performance of a Claim, which lien, charge, or other encumbrance is not subject to a Final Order ordering the remedy of avoidance on any such lien, charge, or other encumbrance under the Bankruptcy Code.

**1.27 Collective Bargaining Agreements** means, collectively, (a) the IBEW Collective Bargaining Agreements, (b) the Collective Bargaining Agreement currently in place between the Utility and the Engineers and Scientists of California Local 20, IFPTE, and (c) the Collective Bargaining Agreement currently in place between the Utility and the Service Employees International Union.

**1.28 Confirmation Date** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.

**1.29 Confirmation Hearing** means the hearing to be held by the Bankruptcy Court regarding confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

**1.30 Consenting Creditors** has the meaning set forth in Subrogation Claims RSA.

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**1.31 Confirmation Order** means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code and approving the transactions contemplated thereby, which shall be in form and substance acceptable to the Debtors.

**1.32 CPUC** means the California Public Utilities Commission.

**1.33 CPUC Approval** means all necessary approvals, authorizations and final orders from the CPUC to implement the Plan, and to participate in the Go-Forward Wildfire Fund, including: (a) satisfactory provisions pertaining to authorized return on equity and regulated capital structure; (b) a disposition of proposals for certain potential changes to the Utility's corporate structure and authorizations to operate as a utility; (c) satisfactory resolution of claims for monetary fines or penalties under the California Public Utilities Code for prepetition conduct; (d) approval (or exemption from approval) of the financing structure and securities to be issued under Article VI of the Plan, including one or more financing orders approving the Wildfire Victim Recovery Bonds; (e) approval of any hedges executed by the Utility in consultation with the CPUC staff; and (f) any approvals or determinations with respect to the Plan and related documents that may be required by the Wildfire Legislation (A.B. 1054).

**1.34 Creditors Committee** means the statutory committee of unsecured creditors appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.

**1.35 Cure Amount** means the payment of Cash or the distribution of other property (as the parties may agree or the Bankruptcy Court may order) as necessary to (a) cure a monetary default, as required by section 365(a) of the Bankruptcy Code by the Debtors in accordance with the terms of an executory contract or unexpired lease of the Debtors, and (b) permit the Debtors to assume or assume and assign such executory contract or unexpired lease under section 365(a) of the Bankruptcy Code.

**1.36 D&O Liability Insurance Policies** means all unexpired directors', managers', and officers' liability insurance policies (including any "tail policy") of either of the Debtors.

**1.37 Debtors** means, collectively, HoldCo and the Utility.

**1.38 DIP Facilities** means the senior secured postpetition credit facilities approved pursuant to the DIP Facility Order, as the same may be amended, modified, or supplemented from time to time through the Effective Date in accordance with the terms of the DIP Facility Documents and the DIP Facility Order.

**1.39 DIP Facility Agents** means JPMorgan Chase Bank, N.A., solely in its capacity as administrative agent under the DIP Facility Documents, and Citibank, N.A., solely in its capacity as collateral agent under the DIP Facility Documents, and their respective successors, assigns, or any replacement agents appointed pursuant to the terms of the DIP Facility Documents.

**1.40 DIP Facility Claim** means any Claim arising under, or related to, the DIP Facility Documents.

**1.41 DIP Facility Credit Agreement** means that certain Senior Secured Superpriority Debtor-In-Possession Credit, Guaranty and Security Agreement, dated as of February 1, 2019, by and among the Utility as borrower, HoldCo as guarantor, the DIP Facility Agents, and the DIP Facility Lenders, as the same has been or may be further amended, modified, or supplemented from time to time.

**1.42 DIP Facility Documents** means, collectively, the DIP Facility Credit Agreement and all other "Loan Documents" (as defined therein), and all other agreements, documents, and instruments delivered or entered into pursuant thereto or entered into in connection therewith (including any collateral documentation) (in each case, as amended, supplemented, restated, or otherwise modified from time to time).

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**1.43 DIP Facility Lenders** means the lenders under the DIP Facility Credit Agreement and each other party that becomes a lender thereunder from time to time in accordance with the terms of the DIP Facility Credit Agreement.

**1.44 DIP Facility Order** means the *Final Order Pursuant to 11 U.S.C. §§ 105, 362, 363, 503 and 507, Fed. R. Bankr. P. 2002, 4001, 6004 and 9014 and (i) Authorizing the Debtors to Obtain Senior Secured, Superpriority, Postpetition Financing, (ii) Granting Liens and Superpriority Claims, (iii) Modifying the Automatic Stay, and (iv) Granting Related Relief* [Docket No. 1091], dated March 27, 2019, as may be amended, modified, or supplemented from time to time through the Effective Date.

**1.45 DIP Letters of Credit** means any letters of credit issued by a DIP Facility Lender pursuant to the DIP Facility Credit Agreement.

**1.46 Disallowed** means a Claim, or any portion thereof, (a) that has been disallowed by a Final Order, agreement between the holder of such Claim and the applicable Debtor, or the Plan; (b) that is listed in the Debtors' Schedules, as such Schedules may be amended, modified, or supplemented from time to time in accordance with Bankruptcy Rule 1009, at zero (\$0) dollars or as contingent, disputed, or unliquidated and as to which no proof of Claim has been filed by the applicable deadline or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or applicable law; or (c) that is not listed in the Debtors' Schedules and as to which no proof of Claim has been timely filed by the applicable deadline or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or under applicable law.

**1.47 Disbursing Agent** means the Utility (or such Entity designated by the Debtors and without the need for any further order of the Bankruptcy Court) in its capacity as a disbursing agent pursuant to Section 5.6 hereof.

**1.48 Disclosure Statement** means the disclosure statement relating to the Plan, including, all schedules, supplements, and exhibits thereto, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code.

**1.49 Disclosure Statement Order** means a Final Order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code.

**1.50 Disputed** means with respect to a Claim or any portion thereof (a) that is neither Allowed nor Disallowed under the Plan or a Final Order, nor deemed Allowed under sections 502, 503, or 1111 of the Bankruptcy Code; (b) that has not been Allowed and is listed as unliquidated, contingent, or disputed in the Schedules; (c) that is a Subrogation Wildfire Claim (i) not held by a Consenting Creditor or (ii) a party to the Subrogation Wildfire Claim Allocation Agreement; or (d) for which a proof of Claim has been filed and related to which the Debtors or any party in interest has interposed a timely objection or request for estimation, and such objection or request for estimation has not been withdrawn or determined by a Final Order.

**1.51 Distribution Record Date** means the Effective Date, unless otherwise provided in the Plan or designated by the Bankruptcy Court. The Distribution Record Date shall not apply to Securities of the Debtors deposited with DTC, the holders of which shall receive a distribution in accordance with Article V of this Plan and, as applicable, the customary procedures of DTC.

**1.52 District Court** means the United States District Court for the Northern District of California having subject matter jurisdiction over the Chapter 11 Cases.

**1.53 DTC** means the Depository Trust Company.

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**1.54 Effective Date** means a Business Day on or after the Confirmation Date selected by the Debtors, on which the conditions to the effectiveness of the Plan specified in Section 9.2 hereof have been satisfied or otherwise effectively waived in accordance with the terms hereof.

**1.55 Eligible Offeree** has the meaning set forth in the Rights Offering Procedures, if applicable.

**1.56 Employee Benefit Plans** means any written contracts, agreements, policies, programs, and plans (including any related trust or other funding vehicle) governing any obligations relating to compensation, reimbursement, indemnity, health care benefits, disability benefits, deferred compensation benefits, travel benefits, vacation and sick leave benefits, savings, severance benefits, retirement benefits, welfare benefits, relocation programs, life insurance, and accidental death and dismemberment insurance, including written contracts, agreements, policies, programs, and plans for bonuses and other incentives or compensation for the current and former directors, officers, and employees, as applicable, of any of the Debtors.

**1.57 Entity** has the meaning set forth in section 101(15) of the Bankruptcy Code.

**1.58 Exculpated Parties** means collectively, and, in each case, in their capacities as such: (a) the Debtors and Reorganized Debtors; (b) the DIP Facility Agents; (c) the DIP Facility Lenders; (d) the Exit Financing Agents; (e) the Exit Financing Lenders; (f) the Funded Debt Trustees; (g) the HoldCo Revolver Lenders; (h) the HoldCo Term Loan Lenders; (i) the Utility Revolver Lenders; (j) the Utility Term Loan Lenders; (k) the Public Entities Releasing Parties; (l) the Statutory Committees; (m) the Backstop Parties; (n) the Consenting Creditors; and (o) with respect to each of the foregoing entities (a) through (n), such entities' predecessors, successors, assigns, subsidiaries, affiliates, managed accounts and funds, current and former officers and directors, principals, equity holders, members, partners, managers, employees, subcontractors, agents, advisory board members, restructuring advisors, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors (and employees thereof), and other professionals, and such entities' respective heirs, executors, estates, servants, and nominees, in each case in their capacity as such.

**1.59 Exit Financing** means, collectively, the Exit Revolver Facility, and all other indebtedness to be incurred by the Reorganized Debtors on or about the Effective Date as part of the Plan Funding.

**1.60 Exit Financing Agents** means, collectively, the Exit Revolver Facility Agent and any other facility agent or indenture trustee acting in such capacity under the Exit Financing Documents.

**1.61 Exit Financing Documents** means, collectively, the Exit Revolver Facility Documents and all other agreements, indentures, documents, and instruments delivered or entered into pursuant to or in connection with the Exit Financing (including any guarantee agreements and collateral documentation) (in each case, as amended, supplemented, restated, or otherwise modified from time to time).

**1.62 Exit Financing Lenders** means, collectively, the Exit Revolver Facility Lenders and all other lenders or holders (as applicable) under the Exit Financing Documents.

**1.63 Exit Financing Term Sheets** means those certain term sheets that shall be included in the Plan Supplement that set forth the principal terms of the Exit Financing.

**1.64 Exit Revolver Facility** means any revolving loan facility provided to the Reorganized Utility or Reorganized HoldCo, pursuant to the Exit Revolver Facility Documents, including the Exit Revolver Facility Credit Agreement, as contemplated by, and which shall be consistent with, the Exit Financing Term Sheets.

**1.65 Exit Revolver Facility Agent** means the administrative agent or collateral agent (if applicable) under the Exit Revolver Facility Credit Agreement, its successors, assigns, or any replacement agent appointed pursuant to the terms of the Exit Revolver Facility Documents.

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**1.66 Exit Revolver Facility Credit Agreement** means the credit agreement providing for the Exit Revolver Facility, including all agreements, notes, instruments, and any other documents delivered pursuant thereto or in connection therewith (in each case, as amended, supplemented, restated, or otherwise modified from time to time), as contemplated by, and which shall be consistent with, the Exit Financing Term Sheets.

**1.67 Exit Revolver Facility Documents** means, collectively, the Exit Revolver Facility Credit Agreement and all other agreements, documents, and instruments delivered or entered into pursuant thereto or in connection therewith (including any guarantee agreements and collateral documentation) (in each case, as amended, supplemented, restated, or otherwise modified from time to time), each of which shall be, to the extent applicable, consistent with the Exit Financing Term Sheets.

**1.68 Exit Revolver Facility Lenders** means each person who on the Effective Date shall become a lender under the Exit Revolver Facility Documents.

**1.69 Federal Judgment Rate** means the interest rate of 2.59% as provided under 28 U.S.C. § 1961(a), calculated as of the Petition Date in accordance with *In re Cardelucci*, 285 F.3d 1231 (9th Cir. 2002).

**1.70 Final Order** means an order or judgment of the Bankruptcy Court entered by the Clerk of the Bankruptcy Court on the docket in the Chapter 11 Cases which has not been reversed, vacated, or stayed and as to which (a) the time to appeal, petition for certiorari, or move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceeding for a new trial, reargument, or rehearing shall then be pending, or (b) if an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied, or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari, or move for a new trial, reargument, or rehearing shall have expired; *provided*, that no order or judgment shall fail to be a Final Order solely because of the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure has been or may be filed with respect to such order or judgment. The susceptibility of a Claim to a challenge under section 502(j) of the Bankruptcy Code shall not render a Final Order not a Final Order.

**1.71 Funded Debt Claims** means, collectively, the HoldCo Funded Debt Claims and the Utility Funded Debt Claims.

**1.72 Funded Debt Documents** means, collectively, the HoldCo Revolver Documents, the HoldCo Term Loan Documents, the PC Bond Loan Documents, the PC Bond LOC Documents, the Utility Revolver Documents, the Utility Term Loan Documents, and the Utility Senior Notes Documents.

**1.73 Funded Debt Trustees** means, collectively, the HoldCo Revolver Agent, the HoldCo Term Loan Agent, the Utility Revolver Agent, the Utility Term Loan Agent, and the Utility Senior Notes Trustee.

**1.74 General Unsecured Claim** means any Claim, other than a DIP Facility Claim, Administrative Expense Claim, Professional Fee Claim, Priority Tax Claim, Other Secured Claim, Priority Non-Tax Claim, Funded Debt Claim, Workers' Compensation Claim, 2001 Utility Exchange Claim, Wildfire Claim, Ghost Ship Fire Claim, Intercompany Claim, or Subordinated Debt Claim, that is not entitled to priority under the Bankruptcy Code or any Final Order. General Unsecured Claims shall include any (a) Prepetition Executed Settlement Claim and (b) Claim for damages resulting from or otherwise based on the Debtors' rejection of an executory contract or unexpired lease.

**1.75 Ghost Ship Fire** means the fire known as the "Ghost Ship Fire" which occurred in Oakland, California on December 2, 2016.

**1.76 Ghost Ship Fire Claim** means any Claim related to or arising from the Ghost Ship Fire.

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**1.77 Go-Forward Wildfire Fund** means a long-term, state-wide fund established, pursuant to section 3292(a) of the California Public Utilities Code and the Wildfire Legislation (A.B. 1054), to pay for certain future wildfire obligations, the terms of which are set forth in the Wildfire Legislation (A.B. 1054).

**1.78 Governmental Unit** has the meaning set forth in section 101(27) of the Bankruptcy Code.

**1.79 HoldCo** means Debtor PG&E Corporation, a California corporation.

**1.80 HoldCo Common Interest** means any HoldCo Interest which results or arises from the existing common stock of HoldCo, including any Claim against HoldCo subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to such common stock.

**1.81 HoldCo Funded Debt Claims** means, collectively, the HoldCo Revolver Claims and the HoldCo Term Loan Claims.

**1.82 HoldCo General Unsecured Claim** means any General Unsecured Claim against HoldCo.

**1.83 HoldCo Ghost Ship Fire Claim** means any Ghost Ship Fire Claim against HoldCo.

**1.84 HoldCo Intercompany Claim** means any Intercompany Claim against HoldCo.

**1.85 HoldCo Interest** means any Interest in HoldCo immediately prior to the Effective Date.

**1.86 HoldCo Other Interest** means any HoldCo Interest that is not a HoldCo Common Interest.

**1.87 HoldCo Other Secured Claim** means any Other Secured Claim against HoldCo.

**1.88 HoldCo Other Wildfire Claim** means any Other Wildfire Claim against HoldCo.

**1.89 HoldCo Priority Non-Tax Claim** means any Priority Non-Tax Claim against HoldCo.

**1.90 HoldCo Public Entities Wildfire Claim** means any Public Entities Wildfire Claim against HoldCo.

**1.91 HoldCo Revolver Agent** means such entity or entities acting as administrative agent under the HoldCo Revolver Documents, and any of their respective successors, assigns, or replacement agents appointed pursuant to the terms of the HoldCo Revolver Documents.

**1.92 HoldCo Revolver Claim** means any Claim arising under, or related to, the HoldCo Revolver Documents.

**1.93 HoldCo Revolver Credit Agreement** means that certain Second Amended and Restated Credit Agreement, dated as of April 27, 2015, by and among HoldCo, the HoldCo Revolver Agent, and the HoldCo Revolver Lenders, as amended, supplemented, restated, or otherwise modified from time to time.

**1.94 HoldCo Revolver Documents** means, collectively, the HoldCo Revolver Credit Agreement and all other “Loan Documents” (as defined therein), and all other agreements, documents, and instruments delivered or entered into pursuant thereto or entered into in connection therewith (in each case, as amended, supplemented, restated, or otherwise modified from time to time).

**1.95 HoldCo Revolver Lenders** means the lenders under the HoldCo Revolver Credit Agreement and each other party that becomes a lender thereunder from time to time in accordance with the terms of the HoldCo Revolver Credit Agreement.

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**1.96 HoldCo Subordinated Debt Claim** means any Claim against HoldCo that is subject to subordination under section 510(b) of the Bankruptcy Code, including any Claim for reimbursement, indemnification or contribution, but excluding any HoldCo Common Interest.

**1.97 HoldCo Subrogation Wildfire Claim** means any Subrogation Wildfire Claim against HoldCo.

**1.98 HoldCo Term Loan Agent** means Mizuho Bank, Ltd. solely in its capacity as administrative agent under the HoldCo Term Loan Documents, its successors, assigns, or any replacement agent appointed pursuant to the terms of the HoldCo Term Loan Documents.

**1.99 HoldCo Term Loan Claim** means any Claim arising under, or related to, the HoldCo Term Loan Documents.

**1.100 HoldCo Term Loan Credit Agreement** means that certain Term Loan Agreement, dated as of April 16, 2018, by and among HoldCo, as borrower, the HoldCo Term Loan Agent, and the HoldCo Term Loan Lenders, as amended, supplemented, restated, or otherwise modified from time to time.

**1.101 HoldCo Term Loan Documents** means, collectively, the HoldCo Term Loan Credit Agreement and all other “Loan Documents” (as defined therein), including all other agreements, documents, and instruments delivered or entered into pursuant thereto or entered into in connection therewith (in each case, as amended, supplemented, restated, or otherwise modified from time to time).

**1.102 HoldCo Term Loan Lenders** means the lenders under the HoldCo Term Loan Credit Agreement and each other party that becomes a lender thereunder from time to time in accordance with the terms of the HoldCo Term Loan Credit Agreement.

**1.103 HoldCo Workers’ Compensation Claim** means any Workers’ Compensation Claim against HoldCo.

**1.104 IBEW Collective Bargaining Agreements** mean, collectively, the two (2) Collective Bargaining Agreements currently in place between the Utility and IBEW Local 1245: (i) the IBEW Physical Agreement, and (ii) the IBEW Clerical Agreement.

**1.105 IBEW Local 1245** means Local Union No. 1245 of the International Brotherhood of Electrical Workers.

**1.106 Impaired** means, with respect to a Claim, Interest, or Class of Claims or Interests, “impaired” within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.

**1.107 Indemnification Obligation** means each of the Debtors’ indemnification obligations existing or outstanding prior to the Effective Date, whether arising by statute, agreement, in the bylaws, certificates of incorporation or formation, limited liability company agreements, other organizational or formation documents, board resolutions, management or indemnification agreements, or employment or other contracts, for their current and former directors, officers, managers, employees, attorneys, accountants, restructuring advisors, financial advisors, investment bankers, and other professionals and agents of the Debtors, as applicable.

**1.108 Insurance Policies** means any insurance policy issued to any of the Debtors or under which the Debtors have sought or may seek coverage, including the D&O Liability Insurance Policies.

**1.109 Intercompany Claim** means any Claim against a Debtor held by either another Debtor or by a non-Debtor affiliate which is controlled by a Debtor (excluding any Claims of an individual).

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**1.110 Interest** means (a) any equity security (as defined in section 101(16) of the Bankruptcy Code) of a Debtor, including all units, shares, common stock, preferred stock, partnership interests, or other instrument evidencing any fixed or contingent ownership interest in any Debtor, including any option, warrant, or other right, contractual or otherwise, to acquire any such interest in a Debtor, whether or not transferable and whether fully vested or vesting in the future, that existed immediately before the Effective Date and (b) any Claim against any Debtor subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing.

**1.111 Interim Compensation Order** means the *Order Pursuant to 11 U.S.C. §§ 331 and 105(a) and Fed. R. Bankr. P. 2016 for Authority to Establish Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 701].

**1.112 Lien** has the meaning set forth in section 101(37) of the Bankruptcy Code.

**1.113 Management Incentive Plan** means the post-emergence management incentive plan for certain of the Reorganized Debtors' employees on the terms set forth in the Management Incentive Plan Term Sheet that may be established and implemented at the discretion of the New Board on or after the Effective Date.

**1.114 Management Incentive Plan Term Sheet** means that certain term sheet that sets forth the principal terms of the Management Incentive Plan.

**1.115 Mandatory Convertible Preferred Stock** means mandatory convertible preferred stock of Reorganized HoldCo, which may be issued under the Plan on terms substantially consistent with the term sheet annexed hereto as **Exhibit A**.

**1.116 New Board** means, on and as of the Effective Date, the board of directors of Reorganized HoldCo, and the board of directors of the Reorganized Utility, as applicable.

**1.117 New HoldCo Common Stock** means the common stock of HoldCo issued in connection with the implementation of the Plan.

**1.118 New Organizational Documents** means, if applicable, the forms of articles of incorporation or other forms of organizational documents and bylaws, as applicable, of the Reorganized Debtors, substantially in the form included in the Plan Supplement and which shall be in form and substance acceptable to the Debtors.

**1.119 Non-cash Recovery** has the meaning set forth in Subrogation Claims RSA.

**1.120 North Bay Public Entities** means, collectively, (a) the City of Clearlake, a California municipal corporation duly organized and existing by virtue of the laws of the State of California; (b) the City of Napa, a California municipal corporation duly organized and existing by virtue of the laws of the State of California; (c) the City of Santa Rosa, a California municipal corporation duly organized and existing by virtue of the laws of the State of California; (d) the County of Lake, a general law county and political subdivision of the State of California duly organized and existing by virtue of the laws of the State of California; (e) Lake County Sanitation District, a sanitary district organized under the laws of the State of California; (f) the County of Mendocino, a general law county and political subdivision of the State of California, duly organized and existing by virtue of the laws of the State of California; (g) Napa County, a general law county and political subdivision of the State of California, duly organized and existing by virtue of the laws of the State of California; (h) the County of Nevada, a general law county and political subdivision of the State of California, duly organized and existing by virtue of the laws of the State of California; (i) the County of Sonoma, a general law county and political subdivision of the State of California, duly organized and existing by virtue of the laws of the State of California; (j) the Sonoma County Agricultural Preservation and Open Space District, a public agency formed pursuant to the Public Resources code sections 5500, et seq.; (k) Sonoma County Community Development Commission, a public and corporate entity pursuant to section 34110 of the California Health & Safety Code; (l) Sonoma County Water Agency, a public agency of the State of California; (m) Sonoma Valley County Sanitation District, a sanitary district organized under

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the laws of the State of California; and (n) the County of Yuba, a general law county and political subdivision of the State of California, duly organized and existing by virtue of the laws of the State of California.

**1.121 Ordinary Course Professionals Order** means the *Order Pursuant to 11 U.S.C. §§ 105(a), 327, 328, and 330 Authorizing the Debtors to Employ Professionals Used in the Ordinary Course of Business Nunc Pro Tunc to the Petition Date*, dated February 28, 2019 [Docket No. 707].

**1.122 Other Secured Claim** means a Secured Claim that is not a DIP Facility Claim or Priority Tax Claim.

**1.123 Other Wildfire Claim** means any Wildfire Claim which is not a Public Entities Wildfire Claim or a Subrogation Wildfire Claim.

**1.124 Other Wildfire Claims Cap** means \$8.4 billion.

**1.125 Other Wildfire Claims Estimation Consideration** means, at the option of the Reorganized Debtors, either (a) Cash, (b) wildfire victims recovery property created pursuant to the Wildfire Victim Recovery Bonds, or other securitized bonds, and the proceeds of such bonds (if applicable), (c) New HoldCo Common Stock, or (d) Mandatory Convertible Preferred Stock (if applicable) (or any combination of the foregoing) having an aggregate value equal to an amount to be estimated pursuant to the Other Wildfire Claims Estimation Proceeding.

**1.126 Other Wildfire Claims Estimation Proceeding** means a proceeding or proceedings initiated in the Bankruptcy Court and/or District Court, which shall conclude prior to or at the Confirmation Hearing, pursuant to which the applicable court shall estimate the Debtors' aggregate liability with respect to Other Wildfire Claims, for purposes of confirming and implementing the Plan.

**1.127 Other Wildfire Claims Resolution Procedures** means the procedures for the resolution, liquidation, and payment of Other Wildfire Claims by the Other Wildfire Trust, substantially in the form included in the Plan Supplement and described in the Disclosure Statement, which shall comply with Section 4.19(f)(ii) hereof.

**1.128 Other Wildfire Trust** means one or more trusts established on the Effective Date, in accordance with Section 6.7 of the Plan, to administer, process, settle, resolve, liquidate, satisfy, and pay all Other Wildfire Claims.

**1.129 Other Wildfire Trust Advisory Board** means the advisory board appointed by the board of directors of the Debtors or Reorganized Debtors, as applicable to oversee the Other Wildfire Trust in accordance with the Plan and the Other Wildfire Trust Agreement; *provided that*, in the event the Debtors intend that an Other Wildfire Trust will be funded (at least in part) through the issuance of tax-exempt bonds, the nature of the powers and responsibilities of the Other Wildfire Trust Advisory Board shall not impair the use of tax-exempt financing.

**1.130 Other Wildfire Trust Agreement** means that certain trust agreement or agreements by and among the Debtors, the Other Wildfire Trust, and the Other Wildfire Trustee, substantially in the form included in the Plan Supplement.

**1.131 Other Wildfire Trustee** means the Person or Persons selected by the Debtors, subject to the approval of the Bankruptcy Court, and identified in the Plan Supplement, to serve as the trustee(s) of the Other Wildfire Trust, and any successor thereto, appointed pursuant to the Other Wildfire Trust Agreement; *provided that*, in the event the Debtors intend that an Other Wildfire Trust will be funded (at least in part) through the issuance of tax-exempt bonds, the identity of the Person or Persons to be selected to serve as the trustee of such Other Wildfire Trust shall not impair the use of tax-exempt financing.

**1.132 PC Bond Documents** means, collectively, the PC Bond Loan Documents and the PC Bond LOC Documents.

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**1.133 PC Bond Loan Documents** means each of the following loan agreements, as amended, supplemented, restated, or otherwise modified from time to time, (a) Loan Agreement between the California Infrastructure and Economic Development Bank and the Utility, dated August 1, 2009 (Series 2009 A); (b) Loan Agreement between the California Infrastructure and Economic Development Bank and the Utility, dated August 1, 2009 (Series 2009 B); (c) Amended and Restated Loan Agreement between California Infrastructure and Economic Development Bank and the Utility, dated September 1, 2010 (Series 2008F); (d) Loan Agreement between the California Infrastructure and Economic Development Bank and the Utility, dated April 1, 2010 (Series 2010 E); (e) Loan Agreement between the California Pollution Control Financing Authority and the Utility, dated September 1, 1997 (1997 Series B-C); (f) First Supplemental Loan Agreement between the California Pollution Control Financing Authority and the Utility, dated December 1, 2003 (1997 Series B); (g) Loan Agreement between the California Pollution Control Financing Authority and the Utility, dated May 1, 1996 (1996 Series A-G); (h) First Supplemental Loan Agreement between the California Pollution Control Financing Authority and the Utility, dated July 1, 1998 (1996 Series A-G); and (i) Third Supplemental Loan Agreement between the California Pollution Control Financing Authority and the Utility, dated December 1, 2003 (1996 Series C, E, F).

**1.134 PC Bond LOC Documents** means each of the following reimbursement agreements, as assigned, amended, supplemented, restated, or otherwise modified from time to time: (a) Reimbursement Agreement (Series 2009A) between the Utility and Union Bank, N.A., dated June 5, 2014; (b) Reimbursement Agreement (Series 2009B) between the Utility and Union Bank, N.A., dated June 5, 2014; (c) Reimbursement Agreement between the Utility and Canadian Imperial Bank of Commerce, New York Branch relating to California Pollution Control Financing Authority Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1997 Series B, dated December 1, 2015; (d) Reimbursement Agreement between the Utility and Mizuho Bank Ltd. relating to California Pollution Control Financing Authority Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series C, dated December 1, 2015; (e) Reimbursement Agreement between the Utility and Sumitomo Mitsui Banking Corporation relating to California Pollution Control Financing Authority Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series E, dated December 1, 2015; and (f) Reimbursement Agreement between the Utility and TD Bank N.A. relating to California Pollution Control Financing Authority Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company) 1996 Series F, dated December 1, 2015.

**1.135 Person** has the meaning set forth in section 101(41) of the Bankruptcy Code.

**1.136 Petition Date** means January 29, 2019, the date on which the Debtors commenced the Chapter 11 Cases.

**1.137 Plan** means this chapter 11 plan, as the same may be amended, supplemented, or modified from time to time in accordance with the provisions of the Bankruptcy Code and the terms hereof.

**1.138 Plan Document** means any of the documents, other than this Plan, to be executed, delivered, assumed, or performed in connection with the occurrence of the Effective Date, including the documents to be included in the Plan Supplement, all of which shall be in form and substance as provided herein.

**1.139 Plan Funding** means, collectively, (a) the proceeds from the incurrence of the Exit Financing and the Wildfire Victim Recovery Bonds or other securitized bonds (if applicable), (b) the proceeds of any Rights Offering, if implemented, (c) any other sources of funding used for distributions under the Plan, including from any underwritten primary or secondary equity offering, a direct equity investment, Mandatory Convertible Preferred Stock (if applicable), and/or other equity-linked securities, and (d) Cash on hand. For the avoidance of doubt, Plan Funding does not include any Claim that has been Reinstated pursuant to the Plan.

**1.140 Plan Supplement** means the forms of certain documents effectuating the transactions contemplated herein, which documents shall be filed with the Clerk of the Bankruptcy Court no later than fourteen (14) days prior to the deadline set to file objections to the confirmation of the Plan, including, but not limited to: (a) the Schedule of Rejected Contracts; (b) the Wildfire Trust Agreements; (c) the New Organizational Documents (to the extent such New Organizational Documents reflect material changes from the Debtors' existing organizational

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documents and bylaws); (d) to the extent known, information required to be disclosed in accordance with section 1129(a)(5) of the Bankruptcy Code; (e) the Exit Financing Term Sheets; (f) if applicable, the Wildfire Victim Recovery Bonds Term Sheets; and (g) the Other Wildfire Claims Resolution Procedures. Such documents shall be consistent with the terms hereof, *provided*, that, through the Effective Date, the Debtors shall have the right to amend, modify, or supplement documents contained in, and exhibits to, the Plan Supplement in accordance with the terms of the Plan.

**1.141 Prepetition Executed Settlement Claim** means any liquidated Claim against a Debtor, other than a 2001 Utility Exchange Claim, arising from a binding award, agreement, or settlement fully effective prior to the Petition Date, which for the purposes of the Plan shall be Allowed in the amount set forth in the applicable award, agreement or settlement.

**1.142 Priority Non-Tax Claim** means any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in payment as specified in section 507(a)(3), (4), (5), (6), (7), or (9) of the Bankruptcy Code.

**1.143 Priority Tax Claim** means any Claim of a Governmental Unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

**1.144 Professional** means an Entity, excluding those Entities entitled to compensation pursuant to the Ordinary Course Professionals Order that is retained pursuant to an order of the Bankruptcy Court in accordance with sections 327, 363, or 1103 of the Bankruptcy Code and to be compensated for services rendered pursuant to sections 327, 328, 329, 330, 331, and 363 of the Bankruptcy Code.

**1.145 Professional Fee Claim** means any Administrative Expense Claim for the compensation of a Professional and the reimbursement of expenses incurred by such Professional through and including the Effective Date to the extent such fees and expenses have not been paid pursuant to any Final Order (including, but not limited to, any fees of a Professional held back in accordance with the Interim Compensation Order or otherwise). To the extent the Bankruptcy Court denies or reduces by a Final Order any amount of a Professional's requested fees and expenses (whether or not paid pursuant to an order granting interim allowance), then the amount by which such fees or expenses are reduced or denied shall reduce the applicable Professional Fee Claim.

**1.146 Professional Fee Escrow Account** means an interest-bearing account in an amount equal to the Professional Fee Reserve Amount and funded by the Debtors in Cash on the Effective Date, pursuant to Section 2.2(b) of the Plan.

**1.147 Professional Fee Reserve Amount** means the total amount of Professional Fee Claims estimated in accordance with Section 2.2(c) of the Plan.

**1.148 Public Entities** means, collectively, (a) the North Bay Public Entities; (b) the Town of Paradise; (c) the County of Butte; (d) the Paradise Park and Recreation District; (e) the County of Yuba; and (f) the Calaveras County Water District.

**1.149 Public Entities Operative Complaints** means all complaints filed by the Public Entities in relation to the Wildfires, including the complaints filed in *Calaveras County Water District v. PG&E*, No. 34-2018-00238630 (Cal. Super. Ct. Sacramento Cty), the Public Entity Master Complaint filed in Judicial Council Coordination Proceeding No. 4853, *Butte Fire Cases*, No. JCCP 4853 (Cal. Super. Ct. Sacramento Cty.), *City of Clearlake v. PG&E Corp. et al.*, No. CV419398 (Cal. Super. Ct. Lake Cty.), *City of Napa v. PG&E Corp. et al.*, No. 19CV000148 (Cal. Super. Ct. Napa Cty.), *City of Santa Rosa v. Pacific Gas and Electric Company, et al.*, No. SCV-262772 (Cal. Super. Ct. Sonoma Cty.), *County of Lake v. PG&E Corp. et al.*, No. CV-419417 (Cal. Super. Ct. Lake Cty.), *Mendocino County v. PG&E Corporation et al.*, No. SCUk-CVPO-18-70440 (Cal. Super. Ct. Mendocino Cty.), *Napa County v. PG&E Corporation et al.*, No. 18CV000238 (Cal. Super. Ct. Napa Cty.), *County of Nevada v. PG&E Corp. et al.*, No. CU19-083418 (Cal. Super. Ct. Nevada Cty.), *County of Sonoma v. PG&E Corporation et al.*, No. SCV-262045 (Cal. Super. Ct. Sonoma Cty.), *County of Yuba v. PG&E Corp. et al.*, No.

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CVCV19-00045 (Cal. Super. Ct. Yuba Cty.), the Public Entity Master Complaint filed in Judicial Council Coordination Proceeding No. 4955 (*California North Bay Fire Cases*, No. JCCP 4955 (Cal. Super. Ct. San Francisco Cty.), *Butte County v. PG&E Corp et al.*, No. 19CV00151 (Cal. Super. Ct. Butte Cty.) and *Town of Paradise v. PG&E Corporation et al.*, No. 19CV00259 (Cal. Super. Ct. Butte Cty.).

**1.150 Public Entities Plan Support Agreements** means the Plan Support Agreements as to Plan Treatment of Public Entities' Wildfire Claims, each dated June 18, 2019, by and between the Debtors and the Public Entities.

**1.151 Public Entities Releasing Parties** means the Public Entities and any subsidiary, affiliate, department, agency, political subdivision, or instrumentality thereof.

**1.152 Public Entities Segregated Defense Fund** means a segregated fund established for the benefit of the Public Entities in the amount of \$10 million, which funds shall be used by the Reorganized Debtors solely to reimburse the Public Entities for any and all legal fees and costs associated with the defense or resolution of any Public Entities Third Party Claims against a Public Entity, in accordance with the Public Entities Plan Support Agreements.

**1.153 Public Entities Settlement Distribution Protocol** means the \$1.0 billion in Cash, to be deposited in a trust account and distributed in accordance with the Plan and the Public Entities Plan Support Agreements, to satisfy the Public Entities Wildfire Claims.

**1.154 Public Entities Third Party Claims** means any past, present, or future Claim held by entities or individuals other than the Debtors or the Public Entities against the Public Entities that in any way arises out of or relates to the Wildfires, including but not limited to any Claim held by individual plaintiffs or subrogated insurance carriers against the Public Entities for personal injuries, property damage, reimbursement of insurance payments, and/or wrongful death that in any way arises out of or relates to the Wildfires.

**1.155 Public Entities Wildfire Claim** means any Wildfire Claim against the Debtors, including any Claim pleaded or asserted or that could have been pleaded or asserted based on the factual allegations set forth in the Public Entities Operative Complaints or that were filed or could be filed by the Public Entities in connection with the Chapter 11 Cases whether arising under California law or any other applicable law of the United States (state or federal) or any other jurisdiction, in each case whether such claims are absolute or contingent, direct or indirect, known or unknown, foreseen or unforeseen, in contract, tort or in equity, under any theory of law.

**1.156 PX** means the California Power Exchange Corporation.

**1.157 Reinstatement** means (a) leaving unaltered the legal, equitable, and contractual rights to which a Claim or Interest entitles the holder of such Claim or Interest in accordance with section 1124 of the Bankruptcy Code, or (b) if applicable under section 1124 of the Bankruptcy Code: (i) curing all prepetition and postpetition defaults other than defaults relating to the insolvency or financial condition of the applicable Debtor or its status as a debtor under the Bankruptcy Code; (ii) reinstating the maturity date of the Claim; (iii) compensating the holder of such Claim for damages incurred as a result of its reasonable reliance on a contractual provision or such applicable law allowing the Claim's acceleration; and (iv) not otherwise altering the legal, equitable or contractual rights to which the Claim entitles the holder thereof, and Claims are **Reinstated** when the requirements for Reinstatement have been met by Debtors.

**1.158 Released Parties** means, collectively, and in each case in their capacities as such: (a) the Debtors and Reorganized Debtors; (b) the DIP Facility Agents; (c) the DIP Facility Lenders; (d) the Exit Financing Agents; (e) the Exit Financing Lenders; (f) the Backstop Parties; (g) the Public Entities Releasing Parties; (h) the Consenting Creditors (solely in their capacity as holders of Subrogation Wildfire Claims); and (i) with respect to each of the foregoing entities (a) through (h), such entities' predecessors, successors, assigns, subsidiaries, affiliates, managed accounts and funds, current and former officers and directors, principals, equity holders, members, partners, managers, employees, subcontractors, agents, advisory board members, restructuring advisors, financial

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advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors (and employees thereof), and other professionals, and such entities' respective heirs, executors, estates, servants, and nominees, in each case in their capacity as such.

**1.159 Releasing Parties** means, collectively, and, in each case, in their capacities as such: (a) the Debtors; (b) the Reorganized Debtors, (c) any holder of a Claim that is solicited and voluntarily indicates on a duly completed Ballot submitted on or before the Voting Deadline that such holder opts into granting the releases set forth in Section 10.9(b) of the Plan to the extent permitted by applicable law, provided that such holder's opt-in, opt-out, or failure to complete that portion of the Ballot shall not in any way affect the classification or treatment of such Claim; (d) the DIP Facility Agents; (e) the DIP Facility Lenders; (f) the Exit Financing Agents; (g) the Exit Financing Lenders; (h) the Funded Debt Trustees; (i) the HoldCo Revolver Lenders; (j) the HoldCo Term Loan Lenders; (k) the Utility Revolver Lenders; (l) the Utility Term Loan Lenders; (m) the holders of Utility Senior Notes Claims; (n) the Public Entities Releasing Parties; (o) the Statutory Committees; (p) the Backstop Parties; (q) the Consenting Creditors; and (r) with respect to each of the foregoing entities (a) through (q), such entities' predecessors, successors, assigns, subsidiaries, affiliates, managed accounts and funds, current and former officers and directors, principals, equity holders, members, partners, managers, employees, subcontractors, agents, advisory board members, restructuring advisors, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors (and employees thereof), and other professionals, and such entities' respective heirs, executors, estates, servants, and nominees, in each case in their capacity as such.

**1.160 Reorganized Debtors** means each of the Debtors, or any successor thereto, as reorganized, pursuant to and under the Plan, on the Effective Date.

**1.161 Reorganized HoldCo** means HoldCo as reorganized, pursuant to and under the Plan, on the Effective Date.

**1.162 Reorganized Utility** means the Utility as reorganized, pursuant to and under the Plan, on the Effective Date.

**1.163 Restructuring** means the restructuring of the Debtors, the principal terms of which are set forth in the Plan, the Plan Documents and the Plan Supplement.

**1.164 Restructuring Transactions** has the meaning set forth in Section 6.2(a) of the Plan.

**1.165 Rights Offering** means, if implemented, an offering pursuant to which each Eligible Offeree is entitled to receive subscription rights to acquire shares of New HoldCo Common Stock in accordance with the Plan, the Rights Offering Procedures, and the Backstop Commitment Letters.

**1.166 Requisite Consenting Creditors** has the meaning set forth in Subrogation Claims RSA.

**1.167 Rights Offering Procedures** means, if applicable, the procedures governing and for the implementation of the Rights Offering, as approved by the Bankruptcy Court.

**1.168 Schedule of Rejected Contracts** means the schedule of executory contracts and unexpired leases to be rejected by the Debtors pursuant to the Plan, to be filed as part of the Plan Supplement.

**1.169 Schedules** means the schedules of assets and liabilities and the statements of financial affairs filed by the Debtors under section 521 of the Bankruptcy Code, Bankruptcy Rule 1007, and the Official Bankruptcy Forms of the Bankruptcy Rules as such schedules and statements have been or may be amended, supplemented, or modified from time to time.

**1.170 Secured Claim** means any Claim secured by a Lien on property in which a Debtor's estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the

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Claim holder's interest in such estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to sections 506(a) and, if applicable, 1129(b) of the Bankruptcy Code.

**1.171 Securities Act** means the Securities Act of 1933, as amended from time to time.

**1.172 Security** has the meaning set forth in section 101(49) of the Bankruptcy Code.

**1.173 Statutory Committees** means collectively, the Creditors Committee and the Tort Claimants Committee.

**1.174 Subordinated Debt Claim** means any HoldCo Subordinated Debt Claim and any Utility Subordinated Debt Claim.

**1.175 Subrogation Claims RSA** means that certain Restructuring Support Agreement, dated as of September 22, 2019, by and among the Debtors and the Consenting Creditors (as defined therein), as amended, supplemented, restated, or otherwise modified from time to time, in accordance with its terms.

**1.176 Subrogation Claims RSA Approval Order** means the order of the Bankruptcy Court, dated [●], 2019, approving the Subrogation Claims RSA and the Allowance of the Utility Subrogation Wildfire Claims as provided therein [Docket No. [●]].

**1.177 Subrogation Wildfire Claim** means any Wildfire Claim (other than a Wildfire Claim arising from the Butte Fire (2015)) that arises from subrogation (whether such subrogation is contractual, equitable, or statutory), assignment (whether such assignment is contractual, equitable, or statutory), or otherwise in connection with payments made or to be made by the applicable insurer to insured tort victims, and whether arising as a matter of state or federal law, including, without limitation, under section 509 of the Bankruptcy Code, including attorneys' fees and interest. For the avoidance of doubt, Subrogation Wildfire Claims shall include both "Paid" and "Reserved" claims, each as defined in the Subrogation Claims RSA. Subrogation Wildfire Claims shall not include the claims of any Governmental Unit (as defined in section 101(27) of the Bankruptcy Code) and any such claims are not the subject of, or compromised under, the Subrogation Claims RSA.

**1.178 Subrogation Wildfire Claim Allocation Agreement** means the agreement entered into by and among certain holders of Subrogation Wildfire Claims, and which describes the procedures for the payment of Subrogation Wildfire Claims by the Subrogation Wildfire Trust, consistent with the terms of the Subrogation Claims RSA.

**1.179 Subrogation Wildfire Trust** means one or more trusts established on the Effective Date, in accordance with Section 6.4 of the Plan, to administer, process, settle, resolve, liquidate, satisfy and pay all Subrogation Wildfire Claims.

**1.180 Subrogation Wildfire Trust Advisory Board** means the advisory board appointed by the holders of Subrogation Wildfire Claims in accordance with the Subrogation Wildfire Claim Allocation Agreement to oversee the Subrogation Wildfire Trust in accordance with the Plan, the Subrogation Wildfire Trust Agreement, and the Subrogation Wildfire Claim Allocation Agreement.

**1.181 Subrogation Wildfire Trust Agreement** means that certain trust agreement or agreements substantially in the form included in the Plan Supplement, which shall be in form and substance satisfactory to the Ad Hoc Subrogation Group (as defined in the Subrogation Claims RSA) in accordance with the Subrogation Wildfire Claim Allocation Agreement, and the Debtors (whose consent will not be unreasonably withheld).

**1.182 Subrogation Wildfire Trustee** means the Person selected by the holders of Subrogation Wildfire Claims in accordance with the Subrogation Wildfire Claim Allocation Agreement to serve as the trustee or trustees of the Subrogation Wildfire Trust, and any successor thereto, in each case, appointed pursuant to the Subrogation Wildfire Trust Agreement; *provided that*, in the event the Debtors intend that a Subrogation Wildfire

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Trust will be funded (at least in part) through the issuance of tax-exempt bonds, the identity of the Person or Persons to be selected to serve as the trustee of such Subrogation Wildfire Trust shall not impair the use of tax-exempt financing.

**1.183 Tax Code** means title 26 of the United States Code, as amended from time to time.

**1.184 Tort Claimants Committee** means the official committee of tort claimants appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.

**1.185 Trading Order** means the *Final Order Pursuant to Sections 105(a) and 362 of the Bankruptcy Code Establishing (1) Notification Procedures and Certain Restrictions Regarding Ownership and Acquisitions of Stock of the Debtors and (2) a Record Date Regarding the Ownership of Claims Against the Debtors with Respect to Certain Notification and Sell-Down Procedures and Requirements*, dated March 27, 2019 [Docket No. 1094].

**1.186 U.S. Trustee** means Andrew S. Vara, Acting United States Trustee for Region 3, or such other person appointed to serve as the United States Trustee in respect of the Chapter 11 Cases.

**1.187 Unimpaired** means, with respect to a Claim, Interest, or Class of Claims or Interests, not “impaired” within the meaning of section 1124 of the Bankruptcy Code.

**1.188 Utility** means Debtor Pacific Gas and Electric Company, a California corporation.

**1.189 Utility Common Interest** means any Interest in the Utility that is not a Utility Preferred Interest.

**1.190 Utility Funded Debt Claim** means any Claim arising under, or related to, the Utility Funded Debt Documents.

**1.191 Utility Funded Debt Documents** means, collectively, the (i) Utility Revolver Documents, (ii) Utility Term Loan Documents, (iii) Utility Senior Notes Documents, and (iv) PC Bond Documents.

**1.192 Utility General Unsecured Claim** means any General Unsecured Claim against the Utility.

**1.193 Utility Ghost Ship Fire Claim** means any Ghost Ship Fire Claim against the Utility.

**1.194 Utility Intercompany Claim** means any Intercompany Claim against the Utility.

**1.195 Utility Letters of Credit** means any letters of credit issued by a Utility Revolver Lender pursuant to the Utility Revolver Documents.

**1.196 Utility Other Secured Claim** means any Other Secured Claim against the Utility.

**1.197 Utility Other Wildfire Claim** means any Other Wildfire Claim against the Utility.

**1.198 Utility Preferred Interest** means any Interest in the Utility which results or arises from preferred stock issued by the Utility.

**1.199 Utility Priority Non-Tax Claim** means any Priority Non-Tax Claim against the Utility.

**1.200 Utility Public Entities Wildfire Claim** means any Public Entities Wildfire Claim against the Utility.

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**1.201 Utility Revolver Agent** means Citibank, N.A., solely in its capacity as administrative agent under the Utility Revolver Documents, its successors, assigns, or any replacement agent appointed pursuant to the terms of the Utility Revolver Documents.

**1.202 Utility Revolver Credit Agreement** means that certain Second Amended and Restated Credit Agreement, dated as of April 27, 2015, by and among Utility, the Utility Revolver Agent, and the Utility Revolver Lenders, as amended, supplemented, restated, or otherwise modified from time to time.

**1.203 Utility Revolver Documents** means, collectively, the Utility Revolver Credit Agreement and all other “Loan Documents” (as defined therein), including all other agreements, documents, and instruments delivered or entered into pursuant thereto or entered into in connection therewith (in each case, as amended, supplemented, restated, or otherwise modified from time to time).

**1.204 Utility Revolver Lenders** means the lenders under the Utility Revolver Credit Agreement and each other party that becomes a lender thereunder from time to time in accordance with the terms of the Utility Revolver Credit Agreement.

**1.205 Utility Senior Notes** means, collectively, the following series of notes issued by the Utility pursuant to the Utility Senior Notes Indentures: (a) 3.50% Senior Notes due October 1, 2020; (b) 3.50% Senior Notes due October 1, 2020; (c) 4.25% Senior Notes due May 15, 2021; (d) 3.25% Senior Notes due September 15, 2021; (e) 2.45% Senior Notes due August 15, 2022; (f) 3.25% Senior Notes due June 15, 2023; (g) 4.25% Senior Notes due August 1, 2023; (h) 3.85% Senior Notes due November 15, 2023; (i) 3.75% Senior Notes due February 15, 2024; (j) 3.40% Senior Notes due August 15, 2024; (k) 3.50% Senior Notes due June 15, 2025; (l) 3.50% Senior Notes due June 15, 2025, (m) 2.95% Senior Notes due March 1, 2026; (n) 3.30% Senior Notes due March 15, 2027; (o) 3.30% Senior Notes due December 1, 2027; (p) 4.65% Senior Notes due August 1, 2028; (q) 6.05% Senior Notes due March 1, 2034; (r) 5.80% Senior Notes due March 1, 2037; (s) 5.80% Senior Notes due March 1, 2037; (t) 6.35% Senior Notes due February 15, 2038; (u) 6.25% Senior Notes due March 1, 2039; (v) 5.40% Senior Notes due January 15, 2040; (w) 5.40% Senior Notes due January 15, 2040; (x) 4.50% Senior Notes due December 15, 2041; (y) 4.45% Senior Notes due April 15, 2042; (z) 3.75% Senior Notes due August 15, 2042; (aa) 4.60% Senior Notes due June 15, 2043; (bb) 5.125% Senior Notes due November 15, 2043; (cc) 4.75% Senior Notes due February 15, 2044; (dd) 4.75% Senior Notes due February 15, 2044; (ee) 4.30% Senior Notes due March 15, 2045; (ff) 4.30% Senior Notes due March 15, 2045; (gg) 4.25% Senior Notes due March 15, 2046; (hh) 4.00% Senior Notes due December 1, 2046; (ii) 4.00% Senior Notes due December 1, 2046; and (jj) 3.95% Senior Notes due December 1, 2047.

**1.206 Utility Senior Notes Claim** means any Claim arising under, or related to, the Utility Senior Notes Documents.

**1.207 Utility Senior Notes Documents** means, collectively, the Utility Senior Notes Indentures, the Utility Senior Notes, and all other agreements, documents, and instruments delivered or entered into pursuant thereto or entered into in connection therewith (in each case, as amended, restated, modified, or supplemented from time to time).

**1.208 Utility Senior Notes Indentures** means, the following senior notes indentures, between the Utility, as issuer, and the Utility Senior Notes Trustee, governing the Utility Senior Notes, including all agreements, notes, instruments, and any other documents delivered pursuant thereto or in connection therewith (in each case, as amended, supplemented, restated, or otherwise modified from time to time): (a) Amended and Restated Indenture, dated as of April 22, 2005; (b) First Supplemental Indenture, dated as of March 13, 2007 – Supplement to the Amended and Restated Indenture dated as of April 22, 2005; (c) Third Supplemental Indenture, dated as of March 3, 2008 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (d) Sixth Supplemental Indenture, dated as of March 6, 2009 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (e) Seventh Supplemental Indenture, dated as of June 11, 2009 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005 (f) Eighth Supplemental Indenture dated as of November 18, 2009 – Supplement to the Amended and Restated Indenture dated as of April 22, 2005; (g) Ninth Supplemental Indenture,

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dated as of April 1, 2010 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (h) Tenth Supplemental Indenture, dated as of September 15, 2010 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (i) Twelfth Supplemental Indenture, dated as of November 18, 2010 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (j) Thirteenth Supplemental Indenture dated as of May 13, 2011 – Supplement to the Amended and Restated Indenture dated as of April 22, 2005; (k) Fourteenth Supplemental Indenture dated as of September 12, 2011 – Supplement to the Amended and Restated Indenture dated as of April 22, 2005; (l) Sixteenth Supplemental Indenture, dated as of December 1, 2011 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (m) Seventeenth Supplemental Indenture, dated as of April 16, 2012 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (n) Eighteenth Supplemental Indenture, dated as of August 16, 2012 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (o) Nineteenth Supplemental Indenture, dated as of June 14, 2013 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (p) Twentieth Supplemental Indenture, dated as of November 12, 2013 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (q) Twenty-First Supplemental Indenture, dated as of February 21, 2014 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (r) Twenty-Third Supplemental Indenture, dated as of August 18, 2014 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (s) Twenty-Fourth Supplemental Indenture, dated as of November 6, 2014 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (t) Twenty-Fifth Supplemental Indenture, dated as of June 12, 2015 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (u) Twenty-Sixth Supplemental Indenture, dated as of November 5, 2015 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (v) Twenty-Seventh Supplemental Indenture, dated as of March 1, 2016 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (w) Twenty-Eighth Supplemental Indenture, dated as of December 1, 2016 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (x) Twenty-Ninth Supplemental Indenture, dated as of March 10, 2017 – Supplement to the Amended and Restated Indenture, dated as of April 22, 2005; (y) Indenture, dated as of November 29, 2017; (z) Indenture, dated as of August 6, 2018; and (aa) First Supplemental Indenture dated as of August 6, 2018 – Supplement to the Indenture, dated as of August 6, 2018;

**1.209 Utility Senior Notes Trustee** means, as applicable, The Bank of New York Mellon Trust Company, N.A., or BOKF, N.A. solely in their capacity as indenture trustee or successor indenture trustee under the Utility Senior Notes Indentures for the applicable Utility Senior Notes, and their successors and assigns.

**1.210 Utility Subordinated Debt Claim** means any Claim against the Utility that is subject to subordination under section 510(b) of the Bankruptcy Code, including any Claim for reimbursement, indemnification or contribution.

**1.211 Utility Subrogation Wildfire Claim** means any Subrogation Wildfire Claim against the Utility.

**1.212 Utility Term Loan Agent** means The Bank of Tokyo- Mitsubishi UFJ, Ltd., solely in its capacity as administrative agent under the Utility Term Loan Documents, its successors, assigns, or any replacement agent appointed pursuant to the terms of the Utility Term Loan Documents.

**1.213 Utility Term Loan Credit Agreement** means that certain Term Loan Agreement, dated as of February 23, 2018, by and among the Utility as borrower, the Utility Term Loan Agent, and the Utility Term Loan Lenders, as amended, supplemented, restated, or otherwise modified from time to time.

**1.214 Utility Term Loan Documents** means, collectively, the Utility Term Loan Credit Agreement and all other “Loan Documents” (as defined therein), including all other agreements, documents, and instruments delivered or entered into pursuant thereto or entered into in connection therewith (in each case, as amended, supplemented, restated, or otherwise modified from time to time).

**1.215 Utility Term Loan Lenders** means the lenders under the Utility Term Loan Credit Agreement and each other party that becomes a lender thereunder from time to time in accordance with the terms of the Utility Term Loan Credit Agreement.

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**1.216 Utility Workers' Compensation Claim** means any Claim against the Utility by an employee of the Utility for the payment of workers' compensation benefits under applicable law.

**1.217 Voting Deadline** means the date set by the Bankruptcy Court by which all completed Ballots must be received.

**1.218 Wildfire Assistance Program** means the Wildfire Assistance Program established and administered pursuant to the Wildfire Assistance Program Orders.

**1.219 Wildfire Assistance Program Orders** means, collectively, the *Order Authorizing Debtors to Establish and Fund Program to Assist Wildfire Claimants with Alternative Living Expenses and Other Urgent Needs* and (b) *Granting Related Relief*, dated May 24, 2019 [Docket No. 2223], the *Supplemental Order (a) Approving Appointment of Administrator and Establishing Guidelines for the Wildfire Assistance Program and (b) Granting Related Relief*, dated June 5, 2019 [Docket No. 2409], and the *Order (a) Establishing Qualified Settlement Fund for the Wildfire Assistance Program and (b) Authorizing QSF Administrator*, dated July 17, 2019 [Docket No. 3026].

**1.220 Wildfire Claim** means any past, present or future Claim in any way relating to the Wildfires, including, but not limited to, any Claim resulting from the Wildfires for (a) general and/or specific damages, including any Claim for personal injury, wrongful death, emotional distress and similar claims, pavement fatigue, damage to culverts, ecosystem service losses, municipal budget adjustments/reallocation, lost revenue and tax impacts, local share of reimbursed fire clean-up costs, future estimated infrastructure costs, water service losses, lost landfill capacity, costs related to unmet housing (e.g., housing market impact due to the Wildfires and adjustments for increased homeless population), and/or hazard mitigation costs (including, watershed restoration and hazardous tree removal expenses); (b) damages for repair, depreciation and/or replacement of damaged, destroyed, and/or lost personal and/or real property; (c) damages for loss of the use, benefit, goodwill, and enjoyment of real and/or personal property; (d) damages for loss of wages, earning capacity and/or business profits and/or any related displacement expenses; (e) economic losses; (f) damages for wrongful injuries to timber, trees, or underwood under California Civil Code § 3346; (g) damages for injuries to trees under California Code of Civil Procedure § 733; (h) punitive and exemplary damages under California Civil Code §§ 733 and 3294, California Public Utilities Code § 2106, or otherwise, (i) restitution; (j) fines or penalties; (k) any and all costs of suit, including all attorneys' fees and expenses, expert fees, and related costs, including all attorneys and other fees under any theory of inverse condemnation; (l) for prejudgment interest fees; (m) other litigation costs stemming from the Wildfires; and (n) declaratory and/or injunctive relief. For avoidance of doubt and without prejudice to the Debtors' right to object to any such Claim, "Wildfire Claim" shall not include any (x) Claim for substantial contribution under section 503(b) of the Bankruptcy Code, (y) Ghost Ship Fire Claim, or (z) any Subordinated Debt Claim and HoldCo Common Interest.

**1.221 Wildfire Insurance Policy** means any Insurance Policy that was issued or allegedly issued that does or may afford the Debtors rights, benefits, indemnity, or insurance coverage with respect to any Wildfire Claim.

**1.222 Wildfire Insurance Proceeds** means any proceeds received by the Debtors under a Wildfire Insurance Policy.

**1.223 Wildfire Legislation (A.B. 1054)** means A.B. 1054, 2019 Assemb. (Cal. 2019).

**1.224 Wildfires** means the wildfires that occurred in Northern California, listed on **Exhibit B** annexed hereto.

**1.225 Wildfire Trust Agreements** means, collectively, the Subrogation Wildfire Trust Agreement and the Other Wildfire Trust Agreement.

**1.226 Wildfire Trusts** means, collectively, the Subrogation Wildfire Trust and the Other Wildfire Trust.

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**1.227 Wildfire Victim Recovery Bonds** means, if applicable, the bonds to be issued by a California State government special purpose entity and/or a subsidiary of the Reorganized Debtors pursuant to the Wildfire Victim Recovery Bonds Documents.

**1.228 Wildfire Victim Recovery Bonds Documents** means, collectively, all agreements, documents, and instruments delivered or entered into pursuant to or in connection with the Wildfire Victim Recovery Bonds (in each case, as amended, supplemented, restated, or otherwise modified from time to time), each of which shall be, to the extent applicable, consistent with the Wildfire Victim Recovery Bonds Term Sheets, and the Wildfire Victim Recovery Bonds Legislation.

**1.229 Wildfire Victim Recovery Bonds Legislation** means any legislation or related guidance enacted by the State of California or the CPUC providing for the right to impose Wildfire Victim Recovery Charges that would serve as security for the Wildfire Victim Recovery Bonds.

**1.230 Wildfire Victim Recovery Bonds Term Sheets** means those certain term sheets that, if applicable, shall be included in the Plan Supplement that set forth the principal terms of the Wildfire Victim Recovery Bonds.

**1.231 Wildfire Victim Recovery Charges** means nonbypassable securitization charges on a dedicated rate component imposed on the retail electric customers of the Utility.

**1.232 Workers' Compensation Claims** means, collectively, the HoldCo Workers' Compensation Claims and the Utility Workers' Compensation Claims.

#### **Interpretation: Application of Definitions and Rules of Construction.**

For purposes herein: (a) the words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained therein; (b) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (c) except as otherwise provided, any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (d) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation;" (e) a term used herein that is not defined herein or by cross reference shall have the meaning assigned to that term in the Bankruptcy Code; (f) the rules of construction contained in section 102 of the Bankruptcy Code shall apply to the Plan; (g) the headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof; (h) in the event that a particular term of the Plan (including any exhibits or schedules hereto) conflicts with a particular term of the definitive documentation required to be implemented pursuant to the terms of the Plan or any settlement or other agreement contemplated hereunder, the definitive documentation shall control and shall be binding on the parties thereto; (i) except as otherwise provided, any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, restated, supplemented, or otherwise modified in accordance with the terms of the Plan; (j) any effectuating provisions may be interpreted by the Reorganized Debtors in a manner consistent with the overall purpose and intent of the Plan, all without further notice to or action, order, or approval of the court or any other entity, and such interpretation shall control in all respects; (k) except as otherwise provided, any reference to the Effective Date shall mean the Effective Date or as soon as reasonably practicable thereafter; and (l) any docket number references in the Plan shall refer to the docket number of any document filed with the Bankruptcy Court in the Chapter 11 Cases.

#### **Certain Consent Rights.**

Notwithstanding anything in the Plan to the contrary, and without limiting the Debtors' fiduciary duties, any and all consent rights of any party set forth in the Public Entities Plan Support Agreements, the Backstop

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Commitment Letters, the Subrogation Claims RSA, or any other plan support agreement that the Debtors hereafter enter into with any other parties with respect to the form and substance of this Plan, the Plan Supplement, the Plan Documents, including any amendments, restatements, supplements, or other modifications to such documents, and any consents, waivers, or other deviations under or from any such documents, shall be incorporated herein by this reference (including to the applicable definitions in Article I hereof) and fully enforceable as if stated in full herein until such time as the Public Entities Plan Support Agreements, the Backstop Commitment Letters, the Subrogation Claims RSA, or, as applicable, such other plan support agreements, are terminated in accordance with their terms.

## **Article II.**

### **Administrative Expense Claims, Priority Tax Claims and Other Unclassified Claims**

**2.1 Administrative Expense Claims.** In full and final satisfaction, settlement, release, and discharge of any Allowed Administrative Expense Claim against a Debtor, except to the extent the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed Administrative Expense Claim against a Debtor agrees to a less favorable treatment of such Administrative Expense Claim, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Administrative Expense Claim shall receive, in full and final satisfaction, settlement, and discharge of such Allowed Administrative Expense Claim, an amount in Cash equal to the Allowed amount of such Administrative Expense Claim; *provided that* any Allowed Administrative Expense Claim that is not due and payable prior to the Effective Date, shall be paid by the Debtors or the Reorganized Debtors, as applicable, in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any orders or agreements governing, instruments evidencing, or other documents establishing, such liabilities.

### **2.2 Professional Fee Claims.**

(a) All final requests for the payment of Professional Fee Claims against a Debtor, including any Professional Fee Claim incurred during the period from the Petition Date through and including the Effective Date, must be filed and served on the Reorganized Debtors no later than sixty (60) days after the Effective Date. All such final requests will be subject to approval by the Bankruptcy Court after notice and a hearing in accordance with the procedures established by the Bankruptcy Code, the Interim Compensation Order, and any other prior orders of the Bankruptcy Court regarding the payment of Professionals in the Chapter 11 Cases, and once approved by the Bankruptcy Court, promptly paid in Cash in the Allowed amount from the Professional Fee Escrow Account. If the Professional Fee Escrow Account is insufficient to fund the full Allowed amount of all Professional Fee Claims, remaining unpaid Allowed Professional Fee Claims will be allocated among and paid in full in Cash directly by the Reorganized Debtors.

(b) Prior to the Effective Date, the Debtors shall establish and fund the Professional Fee Escrow Account with Cash equal to the Professional Fee Reserve Amount. Such funds shall not be considered property of the estates of the Debtors or the Reorganized Debtors. Any amounts remaining in the Professional Fee Escrow Account after payment in full of all Allowed Professional Fee Claims shall promptly be paid to the Reorganized Debtors without any further action or order of the Bankruptcy Court.

(c) No later than ten (10) Business Days prior to the Effective Date, each Professional shall provide the restructuring advisors for the Debtors with an estimate of its unpaid Professional Fee Claims incurred in rendering services to the Debtors or their estates before and as of the Effective Date; *provided*, that such estimate shall not be deemed to limit the amount of fees and expenses that are the subject of the Professional's final request for payment of its Professional Fee Claims whether from the Professional Fee Escrow Account or, if insufficient, from the Reorganized Debtors. If a Professional does not timely provide an estimate as set forth above, the Debtors or Reorganized Debtors shall estimate the unpaid and unbilled fees and expenses of such Professional for purposes of funding the Professional Fee Escrow Account. The total amount of Professional Fee Claims estimated pursuant to this Section shall comprise the Professional Fee Reserve Amount. The Professional Fee Reserve Amount, as well as the return of any excess funds in the Professional Fee Escrow Account after all Allowed Professional Fee Claims have been paid in full, shall be allocated to the applicable Debtor for whose benefit such Professional Fees Claims were incurred.

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(d) Except as otherwise specifically provided in the Plan, from and after the Effective Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order, or approval of the Bankruptcy Court, pay in Cash the reasonable and documented legal, professional, or other fees and expenses incurred by the Debtors. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331, 363, and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

**2.3 DIP Facility Claims.** In full and final satisfaction, settlement, release, and discharge of the Allowed DIP Facility Claims against the Debtors (subject to the last sentence of this Section 2.3), on the Effective Date, such Allowed DIP Facility Claims shall be paid in full in Cash by the Debtors in the Allowed amount of such DIP Facility Claims and all commitments under the DIP Facility Documents shall terminate. On the Effective Date, any DIP Letters of Credit outstanding shall be replaced, returned to the issuing DIP Facility Lender, or collateralized with cash or backstopped with new letters of credit in accordance with the terms of the applicable DIP Letter of Credit and the DIP Facility Documents. Upon the indefeasible payment or satisfaction in full in Cash of the DIP Facility Claims (other than any DIP Facility Claims based on the Debtors' contingent obligations under the DIP Facility Documents not yet due and payable), the termination of all commitments thereunder, and the replacement, return, collateralization or backstop of all outstanding DIP Letters of Credit in accordance with the terms of this Plan, on the Effective Date, all Liens granted to secure such obligations automatically shall be terminated and of no further force and effect.

**2.4 Priority Tax Claims.** In full and final satisfaction, settlement, release, and discharge of any Allowed Priority Tax Claim against a Debtor, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed Priority Tax Claim agree to a less favorable treatment of such Claim, each holder of an Allowed Priority Tax Claim shall receive, at the option of the Debtors or Reorganized Debtors, (a) Cash in an amount equal to such Allowed Priority Tax Claim on the Effective Date or as soon as reasonably practicable thereafter, or (b) Cash, in equal semi-annual installments and continuing over a period not exceeding five (5) years from and after the Petition Date, together with interest accrued thereon at the applicable nonbankruptcy rate, which as to any Allowed Priority Tax Claim of the Internal Revenue Service on behalf of the United States shall be the applicable rate specified by the Tax Code, as of the Confirmation Date, applied pursuant to section 511 of the Bankruptcy Code, subject to the sole option of the Reorganized Debtors to prepay the entire amount of the Allowed Priority Tax Claim. Any Allowed Priority Tax Claim that is not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligation becomes due.

### **Article III.**

#### **Classification of Claims and Interests**

**3.1 Classification in General.** A Claim or Interest is placed in a particular Class for all purposes, including voting, confirmation, and distribution under the Plan and under sections 1122 and 1123(a)(1) of the Bankruptcy Code; *provided that* a Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Allowed Claim or Allowed Interest has not been satisfied, released, or otherwise settled prior to the Effective Date.

#### **3.2 Summary of Classification.**

(a) The following table designates the Classes of Claims against, and Interests in, the Debtors and specifies which of those Classes are (i) Impaired or Unimpaired by the Plan, (ii) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, and (iii) presumed to accept or deemed to reject the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified.

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<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
<b>Claims Against and Interests in HoldCo</b>			
Class 1A	HoldCo Other Secured Claims	Unimpaired	No (presumed to accept)
Class 2A	HoldCo Priority Non-Tax Claims	Unimpaired	No (presumed to accept)
Class 3A	HoldCo Funded Debt Claims	Unimpaired	No (presumed to accept)
Class 4A	HoldCo General Unsecured Claims	Unimpaired	No (presumed to accept)
Class 5A-I	HoldCo Public Entities Wildfire Claims	Impaired	Yes
Class 5A-II	HoldCo Subrogation Wildfire Claims	Impaired	Yes
Class 5A-III	HoldCo Other Wildfire Claims	Impaired	Yes
Class 5A-IV	HoldCo Ghost Ship Fire Claims	Unimpaired	No (presumed to accept)
Class 6A	HoldCo Workers' Compensation Claims	Unimpaired	No (presumed to accept)
Class 7A	HoldCo Intercompany Claims	Unimpaired	No (presumed to accept)
Class 8A	HoldCo Subordinated Debt Claims	Unimpaired	No (presumed to accept)
Class 9A	HoldCo Common Interests	Impaired	Yes
Class 10A	HoldCo Other Interests	Unimpaired	No (presumed to accept)
<b>Claims Against and Interests in the Utility</b>			
Class 1B	Utility Other Secured Claims	Unimpaired	No (presumed to accept)
Class 2B	Utility Priority Non-Tax Claims	Unimpaired	No (presumed to accept)
Class 3B	Utility Funded Debt Claims	Unimpaired	No (presumed to accept)
Class 4B	Utility General Unsecured Claims	Unimpaired	No (presumed to accept)
Class 5B-I	Utility Public Entities Wildfire Claims	Impaired	Yes
Class 5B-II	Utility Subrogation Wildfire Claims	Impaired	Yes
Class 5B-III	Utility Other Wildfire Claims	Impaired	Yes
Class 5B-IV	Utility Ghost Ship Fire Claims	Unimpaired	No (presumed to accept)
Class 6B	Utility Workers' Compensation Claims	Unimpaired	No (presumed to accept)
Class 7B	2001 Utility Exchange Claims	Unimpaired	No (presumed to accept)
Class 8B	Utility Intercompany Claims	Unimpaired	No (presumed to accept)
Class 9B	Utility Subordinated Debt Claims	Unimpaired	No (presumed to accept)
Class 10B	Utility Preferred Interests	Unimpaired	No (presumed to accept)
Class 11B	Utility Common Interests	Unimpaired	No (presumed to accept)

**3.3 Separate Classification of Other Secured Claims.** Each Other Secured Claim, to the extent secured by a Lien on Collateral different from the Collateral securing another Other Secured Claim, shall be treated as being in a separate sub-Class for the purposes of receiving distributions under this Plan.

**3.4 Nonconsensual Confirmation.** In the event any impaired Class of Claims or Interests entitled to vote on the Plan does not accept the Plan by the requisite statutory majority under section 1126(c) of the Bankruptcy Code, then the Debtors reserve the right to undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code.

**3.5 Debtors' Rights in Respect of Unimpaired Claims.** Except as otherwise provided in this Plan, nothing under this Plan shall affect the rights of the Reorganized Debtors in respect of any Claim that is not

“impaired” (within the meaning of such term in section 1124 of the Bankruptcy Code), including all rights in respect of legal and equitable defenses to, or setoffs or recoupments against, any such Claim.

#### **Article IV.**

#### **Treatment of Claims and Interests**

##### **4.1 Class 1A – HoldCo Other Secured Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed HoldCo Other Secured Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed HoldCo Other Secured Claim agree to a less favorable treatment of such Claim, each holder of an Allowed HoldCo Other Secured Claim shall, at the option of the Debtors or Reorganized Debtors, (i) retain its HoldCo Other Secured Claim and the Collateral securing such Claim; (ii) receive Cash in an amount equal to such Allowed Claim, including the payment of any interest due and payable under section 506(b) of the Bankruptcy Code, on the Effective Date or as soon as reasonably practicable thereafter; or (iii) receive treatment of such Allowed HoldCo Other Secured Claim in any other manner that is necessary to satisfy the requirements of section 1124 of the Bankruptcy Code. In the event a HoldCo Other Secured Claim is treated under clause (ii) of this Section 4.1(a), the Liens securing such Other Secured Claim shall be deemed released immediately upon payment.

(b) Impairment and Voting: The HoldCo Other Secured Claims are Unimpaired, and the holders of HoldCo Other Secured Claims are presumed to have accepted the Plan.

##### **4.2 Class 2A – HoldCo Priority Non-Tax Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed HoldCo Priority Non-Tax Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed HoldCo Priority Non-Tax Claim agree to a less favorable treatment of such Claim, each holder of an Allowed HoldCo Priority Non-Tax Claim shall receive, at the option of the Debtors or Reorganized Debtors, as applicable (i) Cash in an amount equal to such Allowed HoldCo Priority Non-Tax Claim, including interest through the Effective Date calculated at the Federal Judgment Rate, payable on the Effective Date or as soon as reasonably practicable thereafter, or (ii) such other treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code..

(b) Impairment and Voting: The HoldCo Priority Non-Tax Claims are Unimpaired, and the holders of HoldCo Priority Non-Tax Claims are presumed to have accepted the Plan.

##### **4.3 Class 3A: HoldCo Funded Debt Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed HoldCo Funded Debt Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed HoldCo Funded Debt Claim agree to a less favorable treatment of such Claim, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed HoldCo Funded Debt Claim shall receive Cash in an amount equal to (i) the principal amount outstanding as of the Petition Date of such holder’s HoldCo Funded Debt Claim plus all accrued and unpaid interest owed as of the Petition Date at the non-default contract rate plus (ii) all interest accrued from the Petition Date through the Effective Date at the Federal Judgment Rate.

(b) Impairment and Voting: The HoldCo Funded Debt Claims are Unimpaired, and the holders of HoldCo Funded Debt Claims are presumed to have accepted the Plan.

##### **4.4 Class 4A: HoldCo General Unsecured Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed HoldCo General Unsecured Claim, except to the extent that the Debtors or the Reorganized Debtors, as applicable, and a holder of an Allowed HoldCo General Unsecured Claim agree to a less favorable treatment of such Claim, on the Effective

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Date or as soon as reasonably practicable thereafter, each holder of an Allowed HoldCo General Unsecured Claim shall receive Cash in an amount equal to such holder's Allowed HoldCo General Unsecured Claim. The Allowed amount of any HoldCo General Unsecured Claim shall include all interest accrued from the Petition Date through the Effective Date at the Federal Judgment Rate.

(b) Impairment and Voting: The HoldCo General Unsecured Claims are Unimpaired, and holders of HoldCo General Unsecured Claims are presumed to have accepted the Plan.

#### **4.5 Class 5A-I – HoldCo Public Entities Wildfire Claims.**

(a) Treatment: On the Effective Date, all HoldCo Public Entities Wildfire Claims shall be deemed satisfied, settled, released and discharged through the treatment provided to Utility Public Entities Wildfire Claims. HoldCo Public Entities Wildfire Claims shall be satisfied solely from the Cash amount of \$1.0 billion and the Public Entities Segregated Defense Fund, as described in section 4.18(a) of the Plan.

(b) Impairment and Voting: The HoldCo Public Entities Wildfire Claims are Impaired, and holders of HoldCo Public Entities Wildfire Claims are entitled to vote to accept or reject the Plan.

#### **4.6 Class 5A-II – HoldCo Subrogation Wildfire Claims.**

(a) Treatment: On the Effective Date, all HoldCo Subrogation Wildfire Claims shall be deemed satisfied, settled, released and discharged through the treatment provided to Utility Subrogation Wildfire Claims. Pursuant to the Channeling Injunction, each holder of a HoldCo Subrogation Wildfire Claim shall have its Claim permanently channeled to the Subrogation Wildfire Trust, and such Claim shall be asserted exclusively against the Subrogation Wildfire Trust in accordance with its terms, with no recourse to the Debtors, the Reorganized Debtors, or their respective assets and properties.

(b) Impairment and Voting: The HoldCo Subrogation Wildfire Claims are Impaired, and holders of HoldCo Subrogation Wildfire Claims are entitled to vote to accept or reject the Plan.

#### **4.7 Class 5A-III – HoldCo Other Wildfire Claims.**

(a) Treatment: On the Effective Date, all HoldCo Other Wildfire Claims shall be deemed satisfied, settled, released and discharged through the treatment provided to Utility Other Wildfire Claims. Pursuant to the Channeling Injunction, each holder of a HoldCo Other Wildfire Claim shall have its Claim permanently channeled to the Other Wildfire Trust, and such Claim shall be asserted exclusively against the Other Wildfire Trust in accordance with its terms, with no recourse to the Debtors, the Reorganized Debtors, or their respective assets and properties.

(b) Impairment and Voting: The HoldCo Other Wildfire Claims are Impaired, and holders of HoldCo Other Wildfire Claims are entitled to vote to accept or reject the Plan.

#### **4.8 Class 5A-IV – HoldCo Ghost Ship Fire Claims.**

(a) Treatment: On and after the Effective Date, each holder of a HoldCo Ghost Ship Fire Claim shall be entitled to pursue its Claim against Reorganized HoldCo as if the Chapter 11 Cases had not commenced.

(b) Impairment and Voting: The HoldCo Ghost Ship Fire Claims are Unimpaired, and the holders of HoldCo Ghost Ship Fire Claims are presumed to have accepted the Plan.

#### **4.9 Class 6A – HoldCo Workers' Compensation Claims.**

(a) Treatment: On and after the Effective Date, each Holder of a HoldCo Workers' Compensation Claim shall be entitled to pursue its Claim against Reorganized HoldCo as if the Chapter 11 Cases had not been commenced.

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(b) Impairment and Voting: The HoldCo Workers' Compensation Claims are Unimpaired, and holders of HoldCo Workers' Compensation Claims are presumed to have accepted the Plan.

**4.10 Class 7A – HoldCo Intercompany Claims.**

(a) Treatment: On the Effective Date, all Allowed HoldCo Intercompany Claims shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated, in each case as determined in the sole discretion of the Debtors or the Reorganized Debtors, as applicable.

(b) Impairment and Voting: The HoldCo Intercompany Claims are Unimpaired, and the holders of HoldCo Intercompany Claims are presumed to have accepted the Plan.

**4.11 Class 8A – HoldCo Subordinated Debt Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any HoldCo Subordinated Debt Claim, except to the extent that the Debtors or the Reorganized Debtors, as applicable, and a holder of an Allowed HoldCo Subordinated Debt Claim agree to a less favorable treatment of such Claim, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed HoldCo Subordinated Debt Claim shall receive Cash in an amount equal to such holder's Allowed HoldCo Subordinated Debt Claim.

(b) Impairment and Voting: The HoldCo Subordinated Debt Claims are Unimpaired, and the holders of HoldCo Subordinated Debt Claims are presumed to have accepted the Plan.

**4.12 Class 9A – HoldCo Common Interests.**

(a) Treatment: On the Effective Date, subject to the New Organizational Documents, each holder of a HoldCo Common Interest shall retain such Interest subject to dilution from any New HoldCo Common Stock, or securities linked to New HoldCo Common Stock, issued pursuant to the Plan and, if applicable, shall receive a pro rata distribution of any subscription rights to be distributed to holders of HoldCo Common Interests in connection with a Rights Offering.

(b) Impairment and Voting: The HoldCo Common Interests are Impaired, and the holders of HoldCo Common Interests are entitled to vote to accept or reject the Plan.

**4.13 Class 10A – HoldCo Other Interests.**

(a) Treatment: On the Effective Date, each holder of a HoldCo Other Interest shall have such holder's HoldCo Other Interest Reinstated.

(b) Impairment and Voting: The HoldCo Other Interests are Unimpaired, and the holders of HoldCo Other Interests are presumed to have accepted the Plan.

**4.14 Class 1B – Utility Other Secured Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed Utility Other Secured Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed Utility Other Secured Claim agree to a less favorable treatment of such Claim, each holder of an Allowed Utility Other Secured Claim shall, at the option of the Debtors or Reorganized Debtors, (i) retain its Utility Other Secured Claim and the Collateral securing such Claim; (ii) receive Cash in an amount equal to such Allowed Claim, including the payment of any interest due and payable under section 506(b) of the Bankruptcy Code, on the Effective Date or as soon as reasonably practicable thereafter; or (iii) receive treatment of such Allowed Utility Other Secured Claim in any other manner that is necessary to satisfy the requirements of section 1124 of the Bankruptcy Code. In the event a Utility Other Secured Claim is treated under clause (ii) of this Section 4.14(a), the Liens securing such Other Secured Claim shall be deemed released immediately upon payment.

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(b) Impairment and Voting: The Utility Other Secured Claims are Unimpaired, and the holders of Utility Other Secured Claims are presumed to have accepted the Plan.

**4.15 Class 2B – Utility Priority Non-Tax Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed Utility Priority Non-Tax Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed Utility Priority Non-Tax Claim agree to a less favorable treatment of such Claim, each holder of an Allowed Utility Priority Non-Tax Claim shall receive, at the option of the Debtors or the Reorganized Debtors, as applicable (i) Cash in an amount equal to such Allowed Utility Priority Non-Tax Claim, including interest through the Effective Date calculated at the Federal Judgment Rate, payable on the Effective Date or as soon as reasonably practicable thereafter, or (ii) such other treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code.

(b) Impairment and Voting: The Utility Priority Non-Tax Claims are Unimpaired, and the holders of Utility Priority Non-Tax Claims are presumed to have accepted the Plan.

**4.16 Class 3B: Utility Funded Debt Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed Utility Funded Debt Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed Utility Funded Debt Claim agree to a less favorable treatment of such Claim, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Utility Funded Debt Claim shall receive Cash in an amount equal to (i) the principal amount outstanding as of the Petition Date of such holder's Utility Funded Debt Claim plus all accrued and unpaid interest owed as of the Petition Date at the non-default contract rate plus (ii) all interest accrued from the Petition Date through the Effective Date at the Federal Judgment Rate. The Debtors believe that under the documents governing the Utility Funded Debt Claims and applicable law, no make-whole or similar amounts are payable upon payment of the Utility Funded Debt Claims. Accordingly, the Allowed amount of any Utility Funded Debt Claim shall not include any Claim for make-whole or similar amounts. Notwithstanding the foregoing, if it is determined that any holder of a Utility Funded Debt Claim is entitled to payment of a make-whole or similar amount or that postpetition interest is payable at a rate other than the Federal Judgment Rate, the treatment of such Claim shall be modified in a manner to render the Claim Unimpaired.

On the Effective Date, any Utility Letters of Credit outstanding shall be replaced, returned to the issuing Utility Revolver Lender, or collateralized with cash or new letters of credit in accordance with the terms of the applicable Utility Letter of Credit and the Utility Revolver Documents.

(b) Impairment and Voting: The Utility Funded Debt Claims are Unimpaired, and the holders of Utility Funded Debt Claims are presumed to have accepted the Plan.

**4.17 Class 4B: Utility General Unsecured Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Allowed Utility General Unsecured Claim, except to the extent that the Debtors or Reorganized Debtors, as applicable, and a holder of an Allowed Utility General Unsecured Claim agree to a less favorable treatment of such Claim, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Utility General Unsecured Claim shall receive Cash in an amount equal to such holder's Allowed Utility General Unsecured Claim. The Allowed amount of any Utility General Unsecured Claim shall reflect all interest accrued from the Petition Date through the Effective Date at the Federal Judgment Rate.

(b) Impairment and Voting: The Utility General Unsecured Claims are Unimpaired, and the holders of Utility General Unsecured Claims are presumed to have accepted the Plan.

**4.18 Class 5B-I – Utility Public Entities Wildfire Claims.**

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(a) Treatment: In full and final satisfaction, settlement, release, and discharge of all Allowed Utility Public Entities Wildfire Claims, on the Effective Date, or as soon as reasonably practicable thereafter, but in no event later than thirty (30) days after the Effective Date, the Public Entities shall receive an aggregate Cash amount of \$1.0 billion, as provided in the Public Entities Plan Support Agreements, to be distributed in accordance with the Public Entities Settlement Distribution Protocol. The Reorganized Debtors shall also establish the Public Entities Segregated Defense Fund, in accordance with the terms of the Public Entities Plan Support Agreements. Utility Public Entities Wildfire Claims shall be satisfied solely from the Cash amount of \$1.0 billion and the Public Entities Segregated Defense Fund, as described above.

(b) Impairment and Voting: The Utility Public Entities Wildfire Claims are Impaired, and holders of the Utility Public Entities Wildfire Claims are entitled to vote to accept or reject the Plan.

#### **4.19 Class 5B-II – Utility Subrogation Wildfire Claims.**

The Utility Subrogation Wildfire Claims shall be treated as follows:

(a) Allowance: For purposes of this Plan, and in accordance with the Subrogation Claims RSA Approval Order, the Utility Subrogation Wildfire Claims shall be settled and Allowed in the aggregate amount of \$11 billion.

(b) Treatment: On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors shall fund the Subrogation Wildfire Trust with Cash in the amount of \$11 billion. No postpetition, and pre-Effective Date, interest shall be paid with respect to the Utility Subrogation Wildfire Claims as Allowed pursuant to the immediately preceding clause (a). All Utility Subrogation Wildfire Claims shall be satisfied solely from the assets funded to the Subrogation Wildfire Trust. The Plan may be amended prior to the entry of the Disclosure Statement Order in accordance with the Subrogation Claims RSA to replace a portion of the Cash consideration with Noncash Recovery.

(c) Professional Fees: On the Effective Date, the Reorganized Debtors shall pay the reasonable, documented, and contractual professional fees of the Ad Hoc Professionals (as such term is defined in the Subrogation Claims RSA) up to an aggregate amount of \$55 million (inclusive of all such fees and expenses paid by the Debtors prior to the Effective Date, and which shall include success fees, transaction fees or other similar fees). The Reorganized Debtors are authorized to pay the professional fees and expenses of Rothschild & Co US Inc., Kekst and Company Incorporated d/b/a Kekst CNC, and Wilson Public Affairs, in each case subject to, and in accordance with, the Subrogation Claims RSA without the necessity of filing formal fee applications. Solely with respect to fees and expenses for professional services rendered by Willkie Farr & Gallagher LLP and Diemer & Wei LLP, the Reorganized Debtors are authorized to pay such fees and expenses ten (10) business after the receipt by the Debtors and the U.S. Trustee (the “**Review Period**”) of invoices therefor (the “**Invoiced Fees**”) and without the necessity of filing formal fee applications. The invoices for such Invoiced Fees shall include the number of hours billed and the aggregate expenses incurred by the applicable professional firm; *provided, however*, that any such invoice (i) may be limited and/or redacted to protect privileged, confidential, or proprietary information and (ii) shall not be required to contain individual time detail (provided that such invoice shall contain summary data regarding hours worked by each timekeeper for the applicable professional and such timekeepers’ hourly rates). The Reorganized Debtors and the U.S. Trustee may object to any portion of the Invoiced Fees (the “**Disputed Invoiced Fees**”) within the Review Period by filing with the Court a motion or other pleading, on at least ten days’ prior written notice (but no more than 30 days’ notice) of any hearing on such motion or other pleading, setting forth the specific objections to the Disputed Invoiced Fees in reasonable narrative detail and the bases for such objections; provided that the Reorganized Debtors shall pay all amounts that are not the subject of such objection upon the expiration of the Review Period and shall pay the balance following resolution of any such objection or upon an order of the Bankruptcy Court.

(d) Distributions and Discharge: Funding of the Subrogation Wildfire Trust as provided above shall be in full and final satisfaction, release, and discharge of all Utility Subrogation Wildfire Claims. Each holder of a Utility Subrogation Wildfire Claim that is party to the Subrogation Wildfire Claim Allocation Agreement shall receive payment as determined in accordance with the Subrogation Wildfire Claim Allocation Agreement. Holders of Disputed Utility Subrogation Wildfire Claims as of the Effective Date shall not receive any payment unless and until such claims either are resolved consensually as between such holders and the Subrogation Wildfire Trustee or become Allowed Claims.

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(e) **Channeling Injunction:** On the Effective Date, the Debtors' liability for all Utility Subrogation Wildfire Claims shall be fully assumed by, and be the sole responsibility of, the Subrogation Wildfire Trust, and all such Claims shall be satisfied solely from the assets of the Subrogation Wildfire Trust. Pursuant to the Channeling Injunction, each holder of a Utility Subrogation Wildfire Claim shall have its Claim permanently channeled to the Subrogation Wildfire Trust, and such Claim shall be asserted exclusively against the Subrogation Wildfire Trust in accordance with its terms, with no recourse to the Debtors, the Reorganized Debtors, or their respective assets and properties.

(f) In accordance with the provisions of the Subrogation Claims RSA, the Confirmation Order shall contain the following findings and order:

(i) the resolution of the Debtors' insolvency proceeding provides funding or establishes reserves for, provides for assumption of, or otherwise provides for satisfying any prepetition wildfire claims asserted against the Debtors in the insolvency proceeding in the amounts agreed upon in any pre-insolvency proceeding settlement agreements or any post-insolvency settlement agreements, authorized by the court through an estimation process or otherwise allowed by the court, and

(ii) any settlement or other agreement with any holder or holders of an Other Wildfire Claim that fixes the amount or terms for satisfaction of such Claim, including by a post-Effective Date trust established for the resolution and payment of such Claim, shall contain as a condition to payment or other distribution to or for the benefit of such holder pursuant to such settlement or other agreement that the holder or holders of such Claim contemporaneously execute and deliver a release and waiver of any potential made-whole claims against present and former holders of Subrogation Wildfire Claims, which release shall be substantially in the form attached to the Subrogation Claims RSA as Exhibit B.

(g) **Impairment and Voting:** The Utility Subrogation Wildfire Claims are Impaired, and holders of Utility Subrogation Wildfire Claims are entitled to vote to accept or reject the Plan.

#### **4.20 Class 5B-III – Utility Other Wildfire Claims.**

(a) **Treatment:** In accordance with the requirements of section 3292 of the Wildfire Legislation (A.B. 1054), on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors shall establish and fund the Other Wildfire Trust with the Other Wildfire Claims Estimation Consideration. Utility Other Wildfire Claims shall be satisfied solely from the Other Wildfire Claims Estimation Consideration.

(b) Funding of the Other Wildfire Trust as provided above shall be in full and final satisfaction, release, and discharge of all Utility Other Wildfire Claims. Each holder of a Utility Other Wildfire Claim shall receive payment as determined in accordance with the Other Wildfire Claims Resolution Procedures.

(c) On the Effective Date, the Debtors' liability for all Utility Other Wildfire Claims shall be fully assumed by, and be the sole responsibility of the Other Wildfire Trust, and all such Claims shall be satisfied solely from the assets of the Other Wildfire Trust. Pursuant to the Channeling Injunction, each holder of a Utility Other Wildfire Claim shall have its Claim permanently channeled to the Other Wildfire Trust, and such Claim shall be asserted exclusively against the Other Wildfire Trust in accordance with its terms, with no recourse to the Debtors, the Reorganized Debtors, or their respective assets and properties.

(d) It is a condition precedent to the occurrence of the Effective Date that the Debtors' aggregate liability with respect to Other Wildfire Claims as determined pursuant to the Other Wildfire Claims Estimation Proceeding shall not exceed the Other Wildfire Claims Cap.

(e) **Impairment and Voting:** The Utility Other Wildfire Claims are Impaired, and holders of Utility Other Wildfire Claims are entitled to vote to accept or reject the Plan.

#### **4.21 Class 5B-IV – Utility Ghost Ship Fire Claims.**

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(a) Treatment: On and after the Effective Date, each holder of a Utility Ghost Ship Fire Claim shall be entitled to pursue its Claim against the Reorganized Utility as if the Chapter 11 Cases had not commenced.

(b) Impairment and Voting: The Utility Ghost Ship Fire Claims are Unimpaired, and the holders of Utility Ghost Ship Fire Claims are presumed to have accepted the Plan.

**4.22 Class 6B – Utility Workers’ Compensation Claims.**

(a) Treatment: On and after the Effective Date, each Holder of a Utility Workers’ Compensation Claim shall be entitled to pursue its Claim against the Reorganized Utility as if the Chapter 11 Cases had not been commenced.

(b) Impairment and Voting: The Utility Workers’ Compensation Claims are Unimpaired, and holders of Utility Workers’ Compensation Claims are presumed to have accepted the Plan.

**4.23 Class 7B – 2001 Utility Exchange Claims.**

(a) Treatment: On and after the Effective Date, each Holder of a 2001 Utility Exchange Claim shall be entitled to pursue its Claim against the Reorganized Utility as if the Chapter 11 Cases had not been commenced.

(b) Impairment and Voting: The 2001 Utility Exchange Claims are Unimpaired, and holders of 2001 Utility Exchange Claims are presumed to have accepted the Plan.

**4.24 Class 8B – Utility Intercompany Claims.**

(a) Treatment: On the Effective Date, all Allowed Utility Intercompany Claims shall either be (i) cancelled (or otherwise eliminated) and receive no distribution under the Plan or (ii) Reinstated, in each case as determined in the sole discretion of the Debtors or the Reorganized Debtors, as applicable.

(b) Impairment and Voting: The Utility Intercompany Claims are Unimpaired, and holders of Utility Intercompany Claims are presumed to have accepted the Plan.

**4.25 Class 9B – Utility Subordinated Debt Claims.**

(a) Treatment: In full and final satisfaction, settlement, release, and discharge of any Utility Subordinated Debt Claim, except to the extent that the Debtors or the Reorganized Debtors, as applicable, and a holder of an Allowed Utility Subordinated Debt Claim agree to a less favorable treatment of such Claim, on the Effective Date or as soon as reasonably practicable thereafter, each holder of an Allowed Utility Subordinated Debt Claim shall receive Cash in an amount equal to such holder’s Allowed Utility Subordinated Debt Claim.

(b) Impairment and Voting: The Utility Subordinated Debt Claims are Unimpaired, and the holders of Utility Subordinated Debt Claims are presumed to have accepted the Plan.

**4.26 Class 10B – Utility Preferred Interests.**

(a) Treatment: On the Effective Date, all Utility Preferred Interests shall be Reinstated.

(b) Impairment and Voting: The Utility Preferred Interests are Unimpaired, and holders of Utility Preferred Interests are presumed to have accepted the Plan.

**4.27 Class 11B – Utility Common Interests.**

(a) Treatment: On the Effective Date, all Utility Common Interests shall be Reinstated.

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(b) **Impairment and Voting**: The Utility Common Interests are Unimpaired, and the holders of Utility Common Interests are presumed to have accepted the Plan.

## **Article V.**

### **Provisions Governing Distributions**

**5.1 Distributions Generally.** Except as otherwise provided in the Plan, the Wildfire Trust Agreements, or the Claims Resolution Procedures the Disbursing Agent shall make all distributions to the appropriate holders of Allowed Claims, or such other persons designated by this Plan, in accordance with the terms of this Plan.

**5.2 Plan Funding.** Except as otherwise provided in the Plan, the Wildfire Trust Agreements, or the Claims Resolution Procedures, distributions of Cash shall be funded from the proceeds of the Plan Funding or the Wildfire Insurance Proceeds as of the applicable date of such distribution as set forth herein.

**5.3 No Postpetition or Default Interest on Claims.** Except as otherwise specifically provided for in this Plan or the Confirmation Order, or another order of the Bankruptcy Court or required by the Bankruptcy Code, postpetition and/or default interest shall not accrue or be paid on any Claims, and no holder of a Claim shall be entitled to interest accruing on such Claim on or after the Petition Date. Except as otherwise provided in the Plan, to the extent that a Disputed Claim becomes an Allowed Claim after the Effective Date, the holder of such Claim shall not be entitled to any interest that accrued thereon from and after the Effective Date.

**5.4 Date of Distributions.** Unless otherwise provided in this Plan, the Wildfire Trust Agreements, or the Claims Resolution Procedures, any distributions and deliveries to be made under this Plan shall be made on the Effective Date or as soon as reasonably practicable thereafter; *provided*, that the Reorganized Debtors may implement periodic distribution dates to the extent they determine appropriate. Holders of Wildfire Claims subject to the Claims Resolution Procedures shall receive distributions in accordance with the applicable Claims Resolution Procedures.

**5.5 Distribution Record Date.** Except as otherwise provided in the Wildfire Trust Agreements or the Claims Resolution Procedures, as of the close of business on the Distribution Record Date, the various lists of holders of Claims and Interests in each Class, as maintained by the Debtors or their agents, shall be deemed closed, and there shall be no further changes in the record holders of any Claims or Interests after the Distribution Record Date. None of the Debtors, the Reorganized Debtors, or the Disbursing Agent shall have any obligation to recognize any transfer of a Claim or Interest occurring after the close of business on the Distribution Record Date. In addition, with respect to payment of any Cure Amounts or disputes over any Cure Amounts, none of the Debtors, the Reorganized Debtors, or the Disbursing Agent shall have any obligation to recognize or deal with any party other than the non-Debtor party to the applicable executory contract or unexpired lease, even if such non-Debtor party has sold, assigned, or otherwise transferred its Claim for a Cure Amount.

**5.6 Disbursing Agent.** Except as otherwise provided in the Plan or the Wildfire Trust Agreements, all distributions under this Plan shall be made by the Disbursing Agent, on behalf of the applicable Debtor, on and after the Effective Date as provided herein. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties. The Debtors or the Reorganized Debtors, as applicable, shall use commercially reasonable efforts to provide the Disbursing Agent (if other than the Reorganized Debtors) with the amounts of Claims and the identities and addresses of holders of Claims, in each case, as set forth in the Debtors' or Reorganized Debtors' books and records. The Debtors or the Reorganized Debtors, as applicable, shall cooperate in good faith with the Disbursing Agent (if other than the Reorganized Debtors) to comply with the reporting and withholding requirements outlined in Section 5.15 of this Plan. Wildfire Claims subject to the Channeling Injunction shall not be administered by the Disbursing Agent and shall instead be administered by the Wildfire Trusts.

### **5.7 Delivery of Distributions.**

(a) Except as otherwise provided in the Plan, the Wildfire Trust Agreements, or the Claims Resolution Procedures, the Disbursing Agent will make the applicable distribution under this Plan and, subject to Bankruptcy Rule 9010, will make all distributions to any holder of an Allowed Claim as and when required by this Plan at: (i) the

address of such holder on the books and records of the Debtors or their agents, (ii) the address in the most recent proof of claim filed by such holder, or (iii) the address in any written notice of address change delivered to the Debtors or the Disbursing Agent, including any addresses included on any transfers of Claim filed pursuant to Bankruptcy Rule 3001. In the event that any distribution to any holder is returned as undeliverable, no distribution or payment to such holder shall be made unless and until the Disbursing Agent has been notified of the then current address of such holder, at which time or as soon thereafter as reasonably practicable, such distribution shall be made to such holder without interest.

(b) The Disbursing Agent, with the Funded Debt Trustees' cooperation, shall make any distributions on account of the Allowed Funded Debt Claims. The Funded Debt Trustees shall have no duties or responsibility relating to any form of distribution that is not DTC eligible and the Disbursing Agent, the Debtors, or the Reorganized Debtors, as applicable, shall seek the cooperation of DTC so that any distribution on account of an Allowed Funded Debt Claim that is held in the name of, or by a nominee of, DTC, shall be made through the facilities of DTC on the Effective Date or as soon as practicable thereafter. The Reorganized Debtors shall reimburse the Funded Debt Trustees for any reasonable and documented fees and expenses (including the reasonable and documented fees and expenses of its counsel and agents) incurred after the Effective Date solely in connection with actions explicitly requested by the Reorganized Debtors necessary for implementation of the Plan; *provided*, that, for the avoidance of doubt, nothing in the Plan or Confirmation Order shall be considered or construed as an explicit request by the Reorganized Debtors authorizing the incurrence of fees and expenses by the Funded Debt Trustees.

**5.8 Unclaimed Property.** For distributions other than from the Wildfire Trusts, all distributions payable on account of Claims that are not deliverable, or have not responded to a request for information to make such delivery, and remain unclaimed shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and shall revert to the Reorganized Debtors or their successors or assigns one year from the later of (a) the Effective Date and (b) the date that is ten (10) Business Days after the date a Claim is first Allowed, and all claims of any other Entity (including the holder of a Claim in the same Class) to such distribution shall be discharged and forever barred. The Reorganized Debtors and the Disbursing Agent shall have no obligation to attempt to locate any holder of an Allowed Claim other than by reviewing the Debtors' books and records and filings with the Bankruptcy Court.

**5.9 Satisfaction of Claims.** Unless otherwise provided herein, any distributions and deliveries to be made on account of Allowed Claims under this Plan shall be in complete and final satisfaction, settlement, and discharge of and exchange for such Allowed Claims.

**5.10 Fractional Stock.** No fractional shares or Interests of New HoldCo Common Stock shall be distributed. If any distributions of New HoldCo Common Stock pursuant to the Plan or the Plan Documents would result in the issuance of a fractional share or Interest of New HoldCo Common Stock, then the number of shares or Interests of New HoldCo Common Stock to be issued in respect of such distribution shall be calculated to one decimal place and rounded up or down to the closest whole share or Interest (with a half share or Interest or greater rounded up and less than a half share or Interest rounded down). The total number of shares or Interests of New HoldCo Common Stock, as applicable, to be distributed in connection with the Plan shall be adjusted as necessary to account for the rounding provided for in this Section 5.10. No consideration shall be provided in lieu of fractional shares or Interests that are rounded down. Neither the Reorganized Debtors nor the Disbursing Agent shall have any obligation to make a distribution that is less than (1) share or Interest of New HoldCo Common Stock. Any New HoldCo Common Stock that is not distributed in accordance with this Section 5.10 shall be returned to, and ownership thereof shall vest in, Reorganized HoldCo.

**5.11 Manner of Payment under Plan.** Except as specifically provided herein, at the option of the Debtors or the Reorganized Debtors, as applicable, any Cash payment to be made under this Plan may be made by check, ACH, wire transfer, or any other method agreed between the Debtors or Reorganized Debtors and the holder of the Claim.

**5.12 No Distribution in Excess of Amount of Allowed Claim.** Notwithstanding anything to the contrary in this Plan, no holder of an Allowed Claim shall receive, on account of such Allowed Claim, distributions in excess of the Allowed amount of such Claim, except to the extent that payment of postpetition interest on such Claim is specifically provided for by the Plan, the Confirmation Order, or another order of the Bankruptcy Court or required by the Bankruptcy Code.

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**5.13 Setoffs and Recoupments.** Each Debtor or Reorganized Debtor, as applicable, or such Entity's successor or designee, may, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, offset or recoup against any Allowed Claim and the distributions to be made pursuant to this Plan on account of such Allowed Claim any and all Claims, rights, and Causes of Action that such Debtor or Reorganized Debtor or its successors may hold against the holder of such Allowed Claim; *provided*, that neither the failure to effect a setoff or recoupment nor the allowance of any Claim hereunder will constitute a waiver or release by a Debtor or Reorganized Debtor or its successor of any Claims, rights, or Causes of Action that any such entity or its successor or designee may possess against such holder.

**5.14 Rights and Powers of Disbursing Agent.**

(a) The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under this Plan; (ii) make all applicable distributions or payments provided for under this Plan; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers (A) as may be vested in the Disbursing Agent by order of the Bankruptcy Court (including any order issued after the Effective Date) or pursuant to this Plan or (B) as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of this Plan.

(b) To the extent the Disbursing Agent is an Entity other than a Debtor or Reorganized Debtor, except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement Claims (including for reasonable attorneys' and other professional fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

**5.15 Withholding and Reporting Requirements.**

(a) In connection with this Plan and all distributions made hereunder, the Reorganized Debtors and the Disbursing Agent shall comply with all applicable withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions under this Plan shall be subject to any such withholding or reporting requirements. In the case of a non-Cash distribution that is subject to withholding, the distributing party may withhold an appropriate portion of such distributed property and sell such withheld property to generate Cash necessary to pay over the withholding tax. Any amounts withheld pursuant to the preceding sentence shall be deemed to have been distributed to and received by the applicable recipient for all purposes of this Plan.

(b) Notwithstanding the above, each holder of an Allowed Claim that is to receive a distribution under this Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed on such holder by any federal, state, local, or foreign taxing authority, including income, withholding, and other tax obligations, on account of such distribution. The Reorganized Debtors and the Disbursing Agent have the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to any issuing or disbursing party for payment of any such tax obligations.

(c) The Reorganized Debtors and the Disbursing Agent may require, as a condition to receipt of a distribution, that the holder of an Allowed Claim provide any information necessary to allow the distributing party to comply with any such withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority. If the Reorganized Debtors or the Disbursing Agent make such a request and the holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution shall irrevocably revert to the applicable Reorganized Debtor and any Claim in respect of such distribution shall be discharged and forever barred from assertion against such Reorganized Debtor or its respective property.

**5.16 Credit for Distributions under Wildfire Assistance Program.** If a holder of an Allowed Wildfire Claim has received any distribution from the Wildfire Assistance Program, such distribution shall be credited against any distribution to be made on account of such holder's Wildfire Claim under this Plan and in accordance with the terms of the Wildfire Trust Agreements.

**Article VI.**

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## Means for Implementation and Execution of the Plan

**6.1 General Settlement of Claims and Interests.** The Plan shall be deemed a motion to approve a good-faith compromise and settlement pursuant to which the Debtors and the holders of Claims against and/or Interests in the Debtors settle all Claims, Interests, and Causes of Action pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan. The Confirmation Order shall constitute the Court's approval of the compromise, settlement, and release of all such Claims, Interests, and Causes of Action, as well as a finding by the Bankruptcy Court that all such compromises, settlements, and releases are mutual and bi-directional and are in the best interests of the Debtors, their estates, and the holders of Claims, Interests, and Causes of Action, and is fair, equitable, and reasonable. Except as otherwise provided in the Wildfire Trust Agreements and the Claims Resolution Procedures, in accordance with the provisions of the Plan, pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors, may compromise and settle all Claims and Causes of Action against, and Interests in, the Debtors and their estates. The compromises, settlements, and releases described herein shall be deemed nonseverable from each other and from all other terms of the Plan.

### **6.2 Restructuring Transactions; Effectuating Documents.**

(a) Following the Confirmation Date or as soon as reasonably practicable thereafter, the Debtors or the Reorganized Debtors, as applicable, may take all actions as may be necessary or appropriate to effectuate any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan or to obtain any of the Plan Funding (collectively, the "**Restructuring Transactions**"), including (i) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan, (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan, (iii) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or federal law, (iv) the execution and delivery of the Plan Documents, (v) the issuance of securities, all of which shall be authorized and approved in all respects in each case without further action being required under applicable law, regulation, order, or rule (except such filings, approvals and authorizations as may be required, necessary or desirable for offerings of securities not exempt from the Securities Act pursuant to section 1145 of the Bankruptcy Code), (vi) such other transactions that are necessary or appropriate to implement the Plan in the most tax efficient manner, and (vii) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law.

(b) Each officer, or member of the board of directors, of the Debtors is (and each officer, or member of the board of directors of the Reorganized Debtors shall be) authorized to issue, execute, deliver, file, or record such contracts, securities, instruments, releases, indentures, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, all of which shall be authorized and approved in all respects, in each case, without the need for any approvals, authorization, consents, or any further action required under applicable law, regulation, order, or rule (including any action by the stockholders or directors of the Debtors or the Reorganized Debtors) except for those expressly required pursuant to the Plan.

(c) All matters provided for herein involving the corporate structure of the Debtors or Reorganized Debtors, or any corporate action required by the Debtors or Reorganized Debtors in connection herewith shall be deemed to have occurred and shall be in effect, without any requirement of further action by the stockholders or directors of the Debtors or Reorganized Debtors, and with like effect as though such action had been taken unanimously by the stockholders of the Debtors or Reorganized Debtors.

**6.3 Continued Corporate Existence.** Except as otherwise provided in this Plan (including pursuant to the Restructuring Transactions), the Debtors shall continue to exist after the Effective Date as Reorganized

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Debtors in accordance with the applicable laws of the respective jurisdictions in which they are incorporated or organized. On or after the Effective Date, without prejudice to the rights of any party to a contract or other agreement with any Reorganized Debtor, each Reorganized Debtor may, in its sole discretion, take such action as permitted by applicable law and such Reorganized Debtor's organizational documents, as such Reorganized Debtor may determine is reasonable and appropriate, including causing: (i) the legal name of a Reorganized Debtor to be changed; (ii) the closure of a Reorganized Debtor's Chapter 11 Case on the Effective Date or any time thereafter; or (iii) Reorganized HoldCo to amend its charter so as to prevent the acquisition, sale, or other transaction of any class or classes of stock of Reorganized HoldCo, other than pursuant to the Plan, for the purpose of preserving the tax benefits of the Reorganized Debtors if such acquisition, sale, or other transaction would result in an increase in the amount stock of Reorganized HoldCo beneficially owned (as determined for applicable tax purposes) by any person or group of persons that owns, or as a result of such acquisition, sale, or other transaction would own, at least 4.75% of any class or classes of stock of Reorganized HoldCo.

#### **6.4 The Subrogation Wildfire Trust.**

(a) On or before the Effective Date, the Subrogation Wildfire Trust shall be established by the Subrogation Wildfire Trustee and on the Effective Date or as soon as reasonably practicable thereafter, the Debtors shall fund the Subrogation Wildfire Trust as provided in Section 4.19(b) hereof. In accordance with the Subrogation Wildfire Trust Agreement and the Subrogation Wildfire Claim Allocation Agreement, each of which shall become effective as of the Effective Date, the Subrogation Wildfire Trust shall administer, process, settle, resolve, liquidate, satisfy, and pay all Subrogation Wildfire Claims. All Subrogation Wildfire Claims shall be channeled to the Subrogation Wildfire Trust and shall be subject to the Channeling Injunction.

(b) Each trust comprising the Subrogation Wildfire Trust is intended to be treated, and shall be reported, as a "qualified settlement fund" for U.S. federal income tax purposes and shall be treated consistently for state and local tax purposes, to the extent applicable; *provided*, however, that the Reorganized Debtors may elect to treat any trust comprising the Subrogation Wildfire Trust as a "grantor trust" for U.S. federal income tax purposes, in which case each such trust shall be treated consistently for state and local tax purposes, to the extent applicable. The Subrogation Wildfire Trustee and all holders of Subrogation Wildfire Claims shall report consistently with the foregoing. The Subrogation Wildfire Trustee shall be the "administrator," within the meaning of Treasury Regulations Section 1.468B-2(k)(3), of the Subrogation Wildfire Trust and, in such capacity, the Subrogation Wildfire Trustee shall be responsible for filing all tax returns of the Subrogation Wildfire Trust and, out of the assets of the Subrogation Wildfire Trust, the payment of any taxes due with respect to trust assets or otherwise imposed on the Subrogation Wildfire Trust (including any tax liability arising in connection with the distribution of trust assets), and shall be permitted to sell any assets of the Subrogation Wildfire Trust to the extent necessary to satisfy such tax liability (including any tax liability arising in connection with such sale).

(c) Except as otherwise provided in the Subrogation Wildfire Trust Agreement, or the Subrogation Wildfire Claim Allocation Agreement, the Subrogation Wildfire Trustee will make the applicable distribution under the Subrogation Wildfire Trust Agreement and, subject to Bankruptcy Rule 2002, at: (i) the address of such holder on the books and records of the Debtors or their agents; (ii) the address provided by such holder on its most recent proof of claim, or (iii) the address in any written notice of address change delivered to the Debtors prior to the Effective Date, or the Subrogation Wildfire Trustee after the Effective Date, including any addresses included on any transfers of Claim filed pursuant to Bankruptcy Rule 3001. In the event that any distribution to any holder is returned as undeliverable, no distribution or payment to such holder shall be made unless and until the Subrogation Wildfire Trustee has been notified of the then-current address of such holder, at which time or as soon as reasonable practicable thereafter, such distribution shall be made to such holder without interest.

(d) The Subrogation Wildfire Trustee may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all tax returns filed by or on behalf of the Subrogation Wildfire Trust through the termination of the Subrogation Wildfire Trust.

#### **6.5 Subrogation Wildfire Trustee.**

(a) Powers and Duties of Trustee. The powers and duties of the Subrogation Wildfire Trustee shall include, but shall not be limited to, those responsibilities vested in the Subrogation Wildfire Trustee pursuant to the

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terms of the Subrogation Trust Agreement, or as may be otherwise necessary and proper to (i) make distributions to holders of Subrogation Wildfire Claims in accordance with the terms of the Plan, Subrogation Trust Agreement, and Subrogation Wildfire Claim Allocation Agreement and (ii) carry out the provisions of the Plan relating to the Subrogation Wildfire Trust and the Subrogation Wildfire Claims. The Trustee shall maintain good and sufficient books and records relating to each Subrogation Wildfire Claim, including the identity of the owner of each Subrogation Wildfire Claim and the amount and date of all Distributions made on account of each such Subrogation Wildfire Claim.

(b) The Subrogation Wildfire Trustee shall cooperate fully with the Reorganized Debtors in connection with the preparation and filing by the Reorganized Debtors of any tax returns, claims for refunds, or other tax filings, and any tax proceedings, to the extent relating to any transfers to, distributions by, or the operations of the Subrogation Wildfire Trust.

#### **6.6 Subrogation Trust Advisory Board.**

(a) Appointment of Subrogation Trust Advisory Board. The Subrogation Trust Advisory Board shall consist of three (3) initial members selected by holders of Subrogation Wildfire Claims in accordance with the Subrogation Trust Agreement and the Subrogation Wildfire Claim Allocation Agreement.

(b) Powers and Duties of Subrogation Trust Advisory Board. The Subrogation Trust Advisory Board shall, as and when requested by the Subrogation Wildfire Trustee, or as is otherwise either (i) required under the Plan, the Confirmation Order, the Subrogation Trust Agreement or (ii) contemplated by the Subrogation Wildfire Claim Allocation Agreement, consult with and advise the Subrogation Wildfire Trustee as to the administration and management of the Subrogation Wildfire Trust in accordance with the terms of this Plan, the Confirmation Order, and/or the Subrogation Trust Agreement.

(c) The Subrogation Wildfire Trust Advisory Board shall be appointed on the Effective Date. The rights and responsibilities of the Subrogation Wildfire Trust Advisory Board shall be set forth in the Subrogation Wildfire Trust Agreement.

#### **6.7 The Other Wildfire Trust.**

(a) On or before the Effective Date, the Other Wildfire Trust shall be established. In accordance with the Plan, the Confirmation Order, the Other Wildfire Trust Agreement and the Other Wildfire Claims Resolution Procedures, the Other Wildfire Trust shall administer, process, settle, resolve, liquidate, satisfy, and pay all Other Wildfire Claims. All Other Wildfire Claims shall be channeled to the Other Wildfire Trust and shall be subject to the Channeling Injunction.

(b) Each trust comprising the Other Wildfire Trust is intended to be treated, and shall be reported, as a “qualified settlement fund” for U.S. federal income tax purposes and shall be treated consistently for state and local tax purposes, to the extent applicable; *provided*, however, that the Reorganized Debtors may elect to treat any trust comprising the Other Wildfire Trust as a “grantor trust” for U.S. federal income tax purposes, in which case each such trust shall be treated consistently for state and local tax purposes, to the extent applicable. The Other Wildfire Trustee and all holders of Other Wildfire Claims shall report consistently with the foregoing. The Other Wildfire Trustee shall be the “administrator,” within the meaning of Treasury Regulations Section 1.468B-2(k) (3), of the Wildfire Trust and, in such capacity, the Other Wildfire Trustee shall be responsible for filing all tax returns of the Other Wildfire Trust and, out of the assets of the Other Wildfire Trust, the payment of any taxes due with respect to trust assets or otherwise imposed on the Other Wildfire Trust (including any tax liability arising in connection with the distribution of trust assets), shall be permitted to sell any assets of the Other Wildfire Trust to the extent necessary to satisfy such tax liability (including any tax liability arising in connection with such sale).

(c) The Other Wildfire Trustee shall cooperate fully with the Reorganized Debtors in connection with the preparation and filing by the Reorganized Debtors of any tax returns, claims for refunds, or other tax filings, and any tax proceedings, to the extent relating to any transfers to, distributions by, or the operations of the Other Wildfire Trust.

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(d) The Other Wildfire Trust Advisory Board shall be appointed on the Effective Date. The Other Wildfire Trust Advisory Board shall consist of members selected and appointed by the Debtors' board of directors. The rights and responsibilities of the Other Wildfire Trust Advisory Board shall be set forth in the Other Wildfire Trust Agreement.

(e) On the Effective Date, the Other Wildfire Claims Resolution Procedures shall become effective.

(f) Except as otherwise provided in the Other Wildfire Trust Agreement, or the Other Wildfire Claims Resolution Procedures, the Other Wildfire Trustee will make the applicable distribution under the Other Wildfire Trust Agreement and, subject to Bankruptcy Rule 2002, at: (i) the address of such holder on the books and records of the Debtors or their agents; (ii) the address provided by such holder on its most recent proof of claim, or (iii) the address in any written notice of address change delivered to the Debtors prior to the Effective Date, or the Other Wildfire Trustee after the Effective Date, including any addresses included on any transfers of Claim filed pursuant to Bankruptcy Rule 3001. In the event that any distribution to any holder is returned as undeliverable, no distribution or payment to such holder shall be made unless and until the Other Wildfire Trustee has been notified of the then-current address of such holder, at which time or as soon as reasonable practicable thereafter, such distribution shall be made to such holder without interest.

(g) The Other Wildfire Trustee may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all tax returns filed by or on behalf of the Other Wildfire Trust through the termination of the Other Wildfire Trust.

#### **6.8 Public Entities Segregated Defense Fund.**

(a) On the Effective Date, the Reorganized Debtors shall fund the Public Entities Segregated Defense Fund in accordance with the terms of the Public Entities Plan Support Agreements.

(b) The Public Entities Segregated Defense Fund shall be maintained by the Reorganized Debtors until the later of (i) the expiration of the applicable statute of limitations period for any and all Public Entities Third Party Claims and (ii) the conclusion of all litigation, including appeals, involving all Public Entities Third Party Claims.

#### **6.9 Go-Forward Wildfire Fund.**

(a) On the Effective Date, the Debtors shall contribute, in accordance with the Wildfire Legislation (A.B. 1054), an initial contribution of approximately \$4.8 billion and first annual contribution of approximately \$193 million, to the Go-Forward Wildfire Fund in order to secure the participation of the Reorganized Debtors therein.

(b) The Reorganized Debtors shall also be responsible for ongoing funding commitments to the Go-Forward Wildfire Fund as required by the terms thereof and the Wildfire Legislation (A.B. 1054).

#### **6.10 Officers and Board of Directors.**

(a) On the Effective Date, (i) the New Board of HoldCo shall consist of the Chief Executive Officer and [●] other initial directors and (ii) the New Board of the Utility shall consist of the Chief Executive Officer and [●] other initial directors. The New Board for HoldCo and the Utility will, among other things, satisfy the requirements of the Wildfire Legislation (A.B. 1054) and other applicable law, including with respect to directors having appropriate experience in safety, finance and utility operations. The composition of the New Board shall be disclosed in accordance with section 1129(a)(5) of the Bankruptcy Code.

(b) Except as otherwise provided in the Plan Supplement, the officers of the respective Debtors immediately before the Effective Date, as applicable, shall serve as the initial officers of each of the respective Reorganized Debtors on and after the Effective Date.

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(c) Except to the extent that a member of the board of directors of a Debtor continues to serve as a director of the respective Reorganized Debtor on and after the Effective Date, the members of the board of directors of each Debtor prior to the Effective Date, in their capacities as such, shall have no continuing obligations to the Reorganized Debtors on or after the Effective Date and each such director will be deemed to have resigned or shall otherwise cease to be a director of the applicable Debtor on the Effective Date.

(d) Commencing on the Effective Date, the directors of each of the Reorganized Debtors shall be elected and serve pursuant to the terms of the applicable organizational documents of such Reorganized Debtor and may be replaced or removed in accordance with such organizational documents.

**6.11 Management Incentive Plan.** On or after the Effective Date, the Management Incentive Plan may be established and implemented at the discretion of the New Board and in compliance with the Wildfire Legislation (A.B. 1054).

**6.12 Cancellation of Existing Securities and Agreements.**

(a) Except for the purpose of enabling holders of Allowed Claims to receive a distribution under the Plan as provided herein and except as otherwise set forth in this Plan, the Plan Supplement or the Confirmation Order, on the Effective Date, all agreements, instruments, and other documents evidencing any prepetition Claim or any rights of any holder in respect thereof shall be deemed cancelled, discharged, and of no force or effect. For the avoidance of doubt, in accordance with Sections 4.12, 4.13, 4.26, and 4.27 of the Plan, none of the HoldCo Common Interests, the HoldCo Other Interests, the Utility Preferred Interests, or the Utility Common Interests shall be cancelled pursuant to the Plan. The holders of, or parties to, such cancelled instruments, Securities, and other documentation shall have no rights arising from or related to such instruments, Securities, or other documentation or the cancellation thereof, except the rights provided for pursuant to this Plan.

(b) The Funded Debt Trustees shall be released and discharged from all duties and responsibilities under the applicable Funded Debt Documents; *provided*, that notwithstanding the releases in Article X of the Plan, entry of the Confirmation Order or the occurrence of the Effective Date, each of the Funded Debt Documents or agreement that governs the rights of the holder of a Claim shall continue in effect to the extent necessary to: (i) enforce the rights, Claims, and interests of the Funded Debt Trustees thereto vis-a-vis any parties other than the Released Parties; (ii) allow the holders of Funded Debt Claims, as applicable, to receive distributions under the Plan, to the extent provided for under the Plan; (iii) appear to be heard in the Chapter 11 Cases or in any proceedings in this Court or any other court; (iv) preserve any rights of the Funded Debt Trustees to payment of fees, expenses, and indemnification obligations from or on any money or property to be distributed in respect of the Allowed Funded Debt Claims, solely to the extent provided in the Plan; and (v) enforce any obligation owed to the Funded Debt Trustees under the Plan.

**6.13 Cancellation of Certain Existing Security Agreements.** Promptly following the payment in full or other satisfaction of an Allowed Other Secured Claim, the holder of such Allowed Other Secured Claim shall deliver to the Debtors or Reorganized Debtors, as applicable, any Collateral or other property of a Debtor held by such holder, together with any termination statements, instruments of satisfaction, or releases of all security interests with respect to its Allowed Other Secured Claim that may be reasonably required to terminate any related financing statements, mortgages, mechanics' or other statutory Liens, or lis pendens, or similar interests or documents.

**6.14 Issuance of New HoldCo Common Stock.** On and after the Effective Date, Reorganized HoldCo is authorized to issue, or cause to be issued, the New HoldCo Common Stock in accordance with the Plan and the Plan Documents, all without the need for any further corporate, limited liability company, or shareholder action. All of the New HoldCo Common Stock distributable under the Plan shall be duly authorized, validly issued, and fully paid and non-assessable.

**6.15 Exit Financing.** On the Effective Date, the Exit Financing Documents shall be executed and delivered. The Reorganized Debtors shall be authorized to execute, deliver, and enter into and perform under the Exit Financing Documents and to consummate the Exit Financing without the need for any further corporate action and without further action by the holders of Claims or Interests.

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#### **6.16 Wildfire Victim Recovery Bonds or Other Securitized Bonds.**

(a) If the State of California enacts legislation authorizing the issuance of Wildfire Victim Recovery Bonds or other securitized bonds, this would provide a source of low cost financing for expediting payment and satisfaction of Wildfire Claims following estimation or settlement.

(b) On or after the Effective Date, if authorized, the Wildfire Victim Recovery Bonds or other securitized bonds shall be issued on the terms set forth in the Plan, the Wildfire Victim Recovery Bonds Documents or other applicable bonds documents, and the Wildfire Victim Recovery Bonds Legislation or other legislation.

(c) On or after the Effective Date, if authorized, the Wildfire Victim Recovery Bonds Documents or other securitized bonds documents shall be executed and delivered. The Reorganized Debtors shall be authorized to execute, deliver, and enter into and perform under the Wildfire Victim Recovery Bonds Documents or other applicable bonds documents, without the need for any further corporate action and without further action by the holders of Claims or Interests.

**6.17 Rights Offering.** If applicable, following approval by the Bankruptcy Court of the Rights Offering Procedures and, if the offer, issuance and distribution of Securities pursuant to the Rights Offering is to be registered under the Securities Act, effectiveness of an appropriate registration statement registering such offer, issuance and distribution under the Securities Act, the Debtors shall, if they determine to implement the same, commence and consummate the Rights Offering in accordance therewith. New HoldCo Common Stock shall be issued to each Eligible Offeree that exercises its respective subscription rights pursuant to the Rights Offering Procedures and the Plan. The consummation of the Rights Offering shall be conditioned on the occurrence of the Effective Date, and any other condition specified in the Backstop Commitment Letters. Amounts held by the subscription agent with respect to the Rights Offering prior to the Effective Date shall not be entitled to any interest on account of such amounts and no Eligible Offeree participating in the Rights Offering shall have any rights in New HoldCo Common Stock until the Rights Offering is consummated.

#### **6.18 Securities Act Registrations or Exemptions.**

(a) The offer, issuance and distribution of the New HoldCo Common Stock, Wildfire Victim Recovery Bonds, other securitized bonds, Mandatory Convertible Preferred Stock and other Securities as provided hereunder may be exempt from registration under (i) the Securities Act of 1933 and all rules and regulations promulgated thereunder and (ii) any state or local law requiring registration for the offer, issuance, or distribution of Securities, pursuant to section 1145 of the Bankruptcy Code, without further act or action by any Entity, pursuant to another available exemption from registration, such as section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder, or pursuant to Article III of the Securities Act, or such offer, issuance and distribution may be registered under the Securities Act pursuant to an appropriate registration statement. Any offer, issuance and distribution of Securities pursuant to any Backstop Commitment Letter may be exempt from registration pursuant to section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder.

(b) Under section 1145 of the Bankruptcy Code, any securities issued under the Plan that are exempt from such registration pursuant to section 1145(a) of the Bankruptcy Code will be freely tradable by the recipients thereof, subject to (i) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act of 1933, (ii) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments, (iii) the restrictions, if any, on the transferability of such securities and instruments, including any restrictions on the transferability under the terms of the New Organizational Documents, (iv) any applicable procedures of DTC, and (v) applicable regulatory approval.

### **Article VII.**

#### **Procedures for Disputed Claims**

**7.1 Objections to Claims.** Except as otherwise provided herein, in the Claims Resolution Procedures, the Subrogation Claims RSA, and in the Wildfire Trust Agreements, the Reorganized Debtors shall be entitled to

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object to Claims. The Subrogation Wildfire Trustee shall be entitled to object to Subrogation Wildfire Claims. Any objections to Claims shall be served and filed on or before the later of (i) one-hundred and eighty (180) days after the Effective Date and (ii) such later date as may be fixed by the Bankruptcy Court (as the same may be extended by the Bankruptcy Court for cause shown).

**7.2 Resolution of Disputed Administrative Expense Claims and Disputed Claims.** Except as otherwise provided for in the Plan, in the Claims Resolution Procedures, the Subrogation Claims RSA, or in the Wildfire Trust Agreements, on and after the Effective Date, the Reorganized Debtors shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Disputed Administrative Expense Claims or Disputed Claims and to compromise, settle, or otherwise resolve any Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court, other than with respect to any Professional Fee Claims. On and after the Effective Date, the Subrogation Wildfire Trustee shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Disputed Subrogation Wildfire Claims without approval of the Bankruptcy Court. Notwithstanding the foregoing, and for the avoidance of doubt, Subrogation Wildfire Claims and Other Wildfire Claims may only be compromised, settled, or resolved pursuant to the applicable Claims Resolution Procedures and Wildfire Trust Agreement.

**7.3 Payments and Distributions with Respect to Disputed Claims.** Notwithstanding anything herein to the contrary, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder shall be made on account of such Claim (including on account of the non-Disputed portion of such Claim) unless and until such Disputed Claim becomes an Allowed Claim.

**7.4 Distributions After Allowance.** After such time as a Disputed Claim becomes, in whole but not in part, an Allowed Claim, the holder thereof shall be entitled to distributions, if any, to which such holder is then entitled as provided in this Plan. Such distributions shall be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim (or portion thereof) becomes a Final Order.

**7.5 Disallowance of Claims.** Any Claims held by an Entity from which property is recoverable under sections 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, as determined by a Final Order, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Final Order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Debtors or the Reorganized Debtors. Except as otherwise provided herein or by an order of the Bankruptcy Court, all proofs of Claim filed after the Effective Date shall be disallowed and forever barred, estopped, and enjoined from assertion, and shall not be enforceable against any Reorganized Debtor, without the need for any objection by the Reorganized Debtors or any further notice to or action, order, or approval of the Bankruptcy Court, other than a claim for damages arising from the rejection of an executory contract or unexpired lease.

**7.6 Estimation.** Except as otherwise provided in the Plan, in the Claims Resolution Procedures, and in the Wildfire Trust Agreements, or as ordered by the Bankruptcy Court in the Other Wildfire Claims Estimation Proceeding, the Debtors or the Reorganized Debtors (or the Subrogation Wildfire Trustee solely with respect to Disputed Subrogation Wildfire Claims) may determine, resolve and otherwise adjudicate all contingent Claims or unliquidated Claims in the Bankruptcy Court or such other court of the Debtors', Reorganized Debtors' or the Subrogation Wildfire Trustee's choice having jurisdiction over the validity, nature or amount thereof. The Debtors or the Reorganized Debtors (or the Subrogation Wildfire Trustee solely with respect to Disputed Subrogation Wildfire Claims) may at any time request that the Bankruptcy Court estimate any contingent Claims or unliquidated Claims pursuant to section 502(c) of the Bankruptcy Code for any reason or purpose, regardless of whether any of the Debtors or the Reorganized Debtors (or the Subrogation Wildfire Trustee solely with respect to Disputed Subrogation Wildfire Claims) have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent Claim or unliquidated Claim, that estimated amount shall constitute the maximum limitation on such Claim, and the Debtors or the Reorganized Debtors (or the Subrogation Wildfire Trustee solely with respect to Disputed Subrogation Wildfire Claims) may pursue supplementary proceedings to object to the ultimate allowance of such Claim; *provided*, that such limitation shall not apply to Claims requested by the

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Debtors to be estimated for voting purposes only. All of the aforementioned objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such Claim unless the holder of such Claim has filed a motion requesting the right to seek such reconsideration on or before twenty (20) calendar days after the date such Claim is estimated by the Bankruptcy Court. Notwithstanding the foregoing, and for the avoidance of doubt, Subrogation Wildfire Claims and Other Wildfire Claims may only be compromised, settled, or resolved pursuant to terms of the applicable Wildfire Trust Agreement.

## Article VIII.

### Executory Contracts and Unexpired Leases

#### **8.1 General Treatment.**

(a) As of, and subject to, the occurrence of the Effective Date and the payment of any applicable Cure Amount, all executory contracts and unexpired leases of the Reorganized Debtors shall be deemed assumed, unless such executory contract or unexpired lease (i) was previously assumed or rejected by the Debtors, pursuant to a Final Order, (ii) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto, (iii) is the subject of a motion to assume, assume and assign, or reject filed by the Debtors on or before the Confirmation Date, or (iv) is specifically designated as an executory contract or unexpired lease to be rejected on the Schedule of Rejected Contracts.

Notwithstanding the foregoing, as of and subject to the occurrence of the Effective Date and the payment of any applicable Cure Amount, all power purchase agreements, renewable energy power purchase agreements, and Community Choice Aggregation servicing agreements of the Debtors shall be deemed assumed.

(b) Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumptions, assumptions and assignments, or rejections provided for in this Plan pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to this Plan shall vest in, and be fully enforceable by, the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, any order of the Bankruptcy Court authorizing and providing for its assumption or assumption and assignment, or applicable law.

#### **8.2 Determination of Cure Disputes and Deemed Consent.**

(a) Any monetary defaults under an assumed or assumed and assigned executory contract or unexpired lease, shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount, as reflected in the applicable cure notice, in Cash on the Effective Date, subject to the limitations described below, or on such other terms as the parties to such executory contracts or unexpired leases and the Debtors may otherwise agree.

(b) At least fourteen (14) days before the Confirmation Hearing, the Debtors shall distribute, or cause to be distributed, assumption and cure notices to the applicable third parties. **Any objection by a counterparty to an executory contract or unexpired lease to the proposed assumption, assumption and assignment, or related Cure Amount must be filed, served, and actually received by the Debtors at least seven (7) days before the Confirmation Hearing.** Any counterparty to an executory contract or unexpired lease that fails to object timely to the proposed assumption, assumption and assignment, or Cure Amount will be deemed to have assented to such assumption, assumption and assignment, or Cure Amount. Notwithstanding anything herein to the contrary, in the event that any executory contract or unexpired lease is removed from the Schedule of Rejected Contracts after such fourteen (14)-day deadline, a cure notice with respect to such executory contract or unexpired lease will be sent promptly to the counterparty thereof and a noticed hearing set to consider whether such executory contract or unexpired lease can be assumed or assumed and assigned, as applicable.

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(c) In the event of an unresolved dispute regarding (i) any Cure Amount, (ii) the ability of the Reorganized Debtors or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the executory contract or unexpired lease to be assumed, or (iii) any other matter pertaining to assumption, assumption and assignment, or the Cure Amounts required by section 365(b)(1) of the Bankruptcy Code, such dispute shall be resolved by a Final Order (which order may be the Confirmation Order).

(d) If the Bankruptcy Court makes a determination regarding any of the matters set forth in Section 8.2(c) above with respect to any executory contract or unexpired lease is greater than the amount set forth in the applicable cure notice, as set forth in Section 8.8(a) below, the Debtors or Reorganized Debtors, as applicable, shall have the right to alter the treatment of such executory contract or unexpired lease, including, without limitation, to add such executory contract or unexpired lease to the Schedule of Rejected Contracts, in which case such executory contract or unexpired lease shall be deemed rejected as of the Effective Date.

(e) Assumption or assumption and assignment of any executory contract or unexpired lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims and Causes of Action against any Debtor or defaults by any Debtor, whether monetary or nonmonetary, including those arising under sections 503(b)(9) or 546(c) of the Bankruptcy Code, defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time before the date that the Debtors assume or assume and assign such executory contract or unexpired lease. Any proofs of Claim filed with respect to an executory contract or unexpired lease that has been assumed or assumed and assigned shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

**8.3 Rejection Damages Claims.** In the event that the rejection of an executory contract or unexpired lease hereunder results in damages to the other party or parties to such contract or lease, any Claim for such damages, if not heretofore evidenced by a timely filed proof of Claim, shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, or their respective estates, properties or interests in property, unless a proof of Claim is filed with the Bankruptcy Court and served upon the Debtors or the Reorganized Debtors, as applicable, no later than thirty (30) days after the later of (i) the Confirmation Date or (ii) the effective date of the rejection of such executory contract or unexpired lease, as set forth on the Schedule of Rejected Contracts or order of the Bankruptcy Court. The Confirmation Order shall constitute the Bankruptcy Court’s approval of the rejection of all the leases and contracts identified in the Schedule of Rejected Contracts.

**8.4 Survival of the Debtors’ Indemnification Obligations.** Any and all obligations of the Debtors pursuant to their corporate charters, agreements, bylaws, limited liability company agreements, memorandum and articles of association, or other organizational documents (including all Indemnification Obligations) to indemnify current and former officers, directors, agents, or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such officers, directors, agents, or employees based upon any act or omission for or on behalf of the Debtors shall remain in full force and effect to the maximum extent permitted by applicable law and shall not be discharged, impaired, or otherwise affected by this Plan. All such obligations shall be deemed and treated as executory contracts that are assumed by the Debtors under this Plan and shall continue as obligations of the Reorganized Debtors. Any Claim based on the Debtors’ obligations in this Section 8.4 herein shall not be a Disputed Claim or subject to any objection, in either case, by reason of section 502(e)(1)(B) of the Bankruptcy Code or otherwise.

**8.5 Assumption of Employee Benefit Plans.** On the Effective Date, all Employee Benefit Plans are deemed to be, and shall be treated as, executory contracts under this Plan and, on the Effective Date, shall be assumed pursuant to sections 365 and 1123 of the Bankruptcy Code.

**8.6 Collective Bargaining Agreements.**

(a) On or prior to the Effective Date, and subject to the occurrence of the Effective Date, the Reorganized Debtors shall assume the Collective Bargaining Agreements.

**8.7 Insurance Policies.**

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(a) All Insurance Policies (including all D&O Liability Insurance Policies and tail coverage liability insurance) to which any Debtor is a party as of the Effective Date shall be deemed to be and treated as executory contracts and shall be assumed by the applicable Debtors or Reorganized Debtor and shall continue in full force and effect thereafter in accordance with their respective terms.

#### **8.8 Reservation of Rights.**

(a) The Debtors may amend the Schedule of Rejected Contracts and any cure notice until the later of (i) through 4:00 p.m. (Pacific Time) on the Business Day immediately prior to the commencement of the Confirmation Hearing or (ii) if Section 8.2(d) is applicable, the Business Day seven (7) Business Days following the determination by the Bankruptcy Court, in order to add, delete, or reclassify any executory contract or unexpired lease; *provided*, that if the Confirmation Hearing is adjourned for a period of more than two (2) consecutive calendar days, the Debtors' right to amend such schedules and notices shall be extended to 4:00 p.m. (Pacific Time) on the Business Day immediately prior to the adjourned date of the Confirmation Hearing, with such extension applying in the case of any and all subsequent adjournments of the Confirmation Hearing.

(b) Neither the exclusion nor the inclusion by the Debtors of any contract or lease on any exhibit, schedule, or other annex to this Plan or in the Plan Supplement, nor anything contained in this Plan or in the Plan Documents, will constitute an admission by the Debtors that any such contract or lease is or is not an executory contract or unexpired lease or that the Debtors or the Reorganized Debtors or their respective affiliates has any liability thereunder.

(c) Except as explicitly provided in this Plan, nothing herein shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, Causes of Action, or other rights of the Debtors or the Reorganized Debtors under any executory or non-executory contract or unexpired or expired lease.

(d) Nothing in this Plan will increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtors or the Reorganized Debtors, as applicable, under any executory or non-executory contract or unexpired or expired lease.

**8.9 Modifications, Amendments, Supplements, Restatements, or Other Agreements.** Unless otherwise provided in the Plan, each executory contract or unexpired lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease, and executory contracts and unexpired leases related thereto, if any, including easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

### **Article IX.**

#### **Effectiveness of the Plan**

**9.1 Conditions Precedent to Confirmation of the Plan.** The following are conditions precedent to confirmation of the Plan:

(a) The Disclosure Statement Order has been entered by the Bankruptcy Court;

(b) The Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors;

(c) The Debtors have received the CPUC Approval;

(d) The Subrogation Claims RSA shall be in full force and effect; and

(e) The Backstop Commitment Letters, if necessary for the Plan Funding, shall be in full force and effect and binding on all parties thereto, and shall not have been terminated by the parties thereto.

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**9.2 Conditions Precedent to the Effective Date.** The following are conditions precedent to the Effective Date of the Plan:

- (a) The Confirmation Order shall have been entered by the Bankruptcy Court no later than the June 30, 2020 date set forth in section 3292(b) of the Wildfire Legislation (A.B. 1054) or any extension of such date;
- (b) The Subrogation Claims RSA shall be in full force and effect;
- (c) The Confirmation Order shall be in full force and effect, and no stay thereof shall be in effect;
- (d) The Debtors shall have implemented all transactions contemplated by this Plan;
- (e) All documents and agreements necessary to consummate the Plan shall have been effected or executed;
- (f) The Debtors shall have elected, and received Bankruptcy Court approval to, participate in and fund the Go-Forward Wildfire Fund;
- (g) The Debtors shall have obtained the Plan Funding;
- (h) The Debtors shall have received all authorizations, consents, legal and regulatory approvals, rulings, letters, no-action letters, opinions, or documents that are necessary to implement and consummate the Plan and the Plan Funding and that are required by law, regulation, or order;
- (i) The CPUC Approval remains in full force and effect;
- (j) The Debtors' aggregate liability with respect to Other Wildfire Claims as determined pursuant to the Other Wildfire Claims Estimation Proceeding shall not exceed the Other Wildfire Claims Cap;
- (k) The Wildfire Trusts shall have been established and Trustees for each appointed; and
- (l) The Plan shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made in accordance with Section 12.6 of the Plan.

It shall not be a condition to the occurrence of the Effective Date that Wildfire Victim Recovery Bonds shall be available for the Plan Funding or that Wildfire Victim Recovery Bonds Legislation shall have been enacted.

**9.3 Satisfaction of Conditions.** Except as otherwise provided herein, any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action. If the Debtors determine that any of the conditions precedent set forth in Sections 9.1 or 9.2 hereof cannot be satisfied and the occurrence of such conditions is not waived pursuant to Section 9.4, then the Debtors shall file a notice of the failure of the Effective Date with the Bankruptcy Court.

**9.4 Waiver of Conditions.** The conditions set forth in Sections 9.1 or 9.2 may be waived or modified only by the Debtors, with the consent of the Backstop Parties holding a majority of the Aggregate Backstop Commitment Amount (such consent not to be unreasonably withheld, conditioned or delayed), and for Sections 9.1(d) and 9.2(b) only, the Requisite Consenting Creditors, without notice, leave, or order of the Bankruptcy Court or any formal action other than proceedings to confirm or consummate the Plan.

**9.5 Effect of Non-Occurrence of Effective Date.** If the Effective Date does not occur on or before December 31, 2020, then: (a) the Plan will be null and void in all respects; and (b) nothing contained in the Plan or the Disclosure Statement shall: (i) constitute a waiver or release of any Claims, Interests, or Causes of Action by an Entity;

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(ii) prejudice in any manner the rights of any Debtor or any other Entity; or (iii) constitute an admission, acknowledgment, offer, or undertaking of any sort by any Debtor or any other Entity.

## **Article X.**

### **Effect of Confirmation**

**10.1 Binding Effect.** Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, and subject to the occurrence of the Effective Date, on and after the entry of the Confirmation Order, the provisions of this Plan shall bind every holder of a Claim against or Interest in any Debtor and inure to the benefit of and be binding on such holder's respective successors and assigns, regardless of whether the Claim or Interest of such holder is impaired under this Plan and whether such holder has accepted this Plan.

**10.2 Vesting of Assets.** Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all assets and property of the Debtors shall vest in the Reorganized Debtors, as applicable, free and clear of all Claims, Liens, charges, and other interests, except as otherwise provided herein. The Reorganized Debtors may operate their businesses and use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as otherwise provided herein.

**10.3 Release and Discharge of Debtors.** Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any representatives, trustees, or agents on behalf of each holder) of a Claim or Interest and any affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such Persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or Interest in the Debtors.

**10.4 Term of Injunctions or Stays.** Unless otherwise provided herein or in a Final Order, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay. The Trading Order shall remain enforceable as to transfers through the Effective Date with respect to those persons having "beneficial ownership" of "PG&E Stock" (as such terms are defined in Trading Order). Accordingly, the Trading Order has no applicability or effect with respect to the trading of stock of Reorganized HoldCo after the Effective Date.

**10.5 Injunction Against Interference with Plan.** Upon entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors, principals, and affiliates, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan; *provided, that* nothing herein or in the Confirmation Order shall preclude, limit, restrict or prohibit any party in interest from seeking to enforce the terms of the Plan, the Confirmation Order, or any other agreement or instrument entered into or effectuated in connection with the consummation of the Plan.

### **10.6 Injunction**

(a) Except as otherwise provided in this Plan or in the Confirmation Order, as of the entry of the Confirmation Order but subject to the occurrence of the Effective Date, all Persons who have held, hold, or may hold Claims or Interests are, with respect to any such Claim or Interest, permanently enjoined after the entry of the Confirmation Order from: (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including, any proceeding in a judicial, arbitral, administrative, or other forum) against or affecting, directly or indirectly, a Debtor, a Reorganized Debtor, or an estate or the property of any of the foregoing, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons mentioned in this subsection (i) or any property of any such transferee or successor; (ii) enforcing, levying, attaching (including any prejudgment attachment), collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly,

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any judgment, award, decree, or order against a Debtor, a Reorganized Debtor, or an estate or its property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons mentioned in this subsection (ii) or any property of any such transferee or successor; (iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against a Debtor, a Reorganized Debtor, or an estate or any of its property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons mentioned in this subsection (iii) or any property of any such transferee or successor; (iv) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of this Plan to the full extent permitted by applicable law; and (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of this Plan; *provided*, that nothing contained herein shall preclude such Persons who have held, hold, or may hold Claims against a Debtor or an estate from exercising their rights, or obtaining benefits, pursuant to and consistent with the terms of this Plan, the Confirmation Order, or any other agreement or instrument entered into or effectuated in connection with the consummation of the Plan; *provided further* that this Section 10.6 shall not apply to holders of Ghost Ship Fire Claims or Workers' Compensation Claims.

(b) By accepting distributions pursuant to this Plan, each holder of an Allowed Claim will be deemed to have affirmatively and specifically consented to be bound by this Plan, including, the injunctions set forth in this Section.

### **10.7 Channeling Injunction.**

(a) The sole source of recovery for holders of Subrogation Wildfire Claims and Other Wildfire Claims shall be from the Subrogation Wildfire Trust and the Other Wildfire Trust, as applicable. The holders of such Claims shall have no recourse to or Claims whatsoever against the Reorganized Debtors or their assets and properties. Consistent with the foregoing, all Persons that have held or asserted, or that hold or assert any Subrogation Wildfire Claim or Other Wildfire Claim shall be permanently and forever stayed, restrained, and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering, or receiving payments, satisfaction, or recovery from any Reorganized Debtor or its assets and properties with respect to any Wildfire Claims, including all of the following actions:

(i) commencing, conducting, or continuing, in any manner, whether directly or indirectly, any suit, action, or other proceeding of any kind in any forum with respect to any such Wildfire Claim, against or affecting any Reorganized Debtor, or any property or interests in property of any Reorganized Debtor with respect to any such Wildfire Claim;

(ii) enforcing, levying, attaching, collecting or otherwise recovering, by any manner or means, or in any manner, either directly or indirectly, any judgment, award, decree or other order against any Reorganized Debtor or against the property of any Reorganized Debtor with respect to any such Wildfire Claim;

(iii) creating, perfecting, or enforcing in any manner, whether directly or indirectly, any Lien of any kind against any Reorganized Debtor or the property of any Reorganized Debtor with respect to any such Wildfire Claims;

(iv) asserting or accomplishing any setoff, right of subrogation, indemnity, contribution, or recoupment of any kind, whether directly or indirectly, against any obligation due to any Reorganized Debtor or against the property of any Reorganized Debtor with respect to any such Wildfire Claim; and

(v) taking any act, in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan Documents, with respect to any such Wildfire Claim.

(b) **Reservations.** Notwithstanding anything to the contrary in this Section 10.7 of the Plan, this Channeling Injunction shall not enjoin:

(i) the rights of holders of Subrogation Wildfire Claims and Other Wildfire Claims to the treatment afforded them under the Plan, including the right to assert such Claims in accordance with the

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applicable Wildfire Trust Agreements solely against the applicable Wildfire Trust whether or not there are funds to pay such Wildfire Claims; and

(ii) the Wildfire Trusts from enforcing their rights under the Wildfire Trust Agreements.

(c) **Modifications.** There can be no modification, dissolution, or termination of the Channeling Injunction, which shall be a permanent injunction.

(d) **No Limitation on Channeling Injunction.** Nothing in the Plan, the Confirmation Order, or the Wildfire Trust Agreements shall be construed in any way to limit the scope, enforceability, or effectiveness of the Channeling Injunction provided for herein and in the Confirmation Order.

(e) **Bankruptcy Rule 3016 Compliance.** The Debtors' compliance with the requirements of Bankruptcy Rule 3016 shall not constitute an admission that the Plan provides for an injunction against conduct not otherwise enjoined under the Bankruptcy Code.

**10.8 Exculpation.** Notwithstanding anything herein to the contrary, and to the maximum extent permitted by applicable law, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Claim, Interest, obligation, suit, judgment, damage, demand, debt, right, Cause of Action, loss, remedy, or liability for any claim (including, but not limited to, any claim for breach of any fiduciary duty or any similar duty) in connection with or arising out of the administration of the Chapter 11 Cases; the negotiation and pursuit of the Public Entities Plan Support Agreements, the Backstop Commitment Letters, the Subrogation Claims RSA, the Exit Financing Documents, the Plan Funding, the DIP Facilities, the Disclosure Statement, the Plan, the Restructuring Transactions, the Wildfire Trusts (including the Plan Documents, the Claims Resolution Procedures and the Wildfire Trust Agreements), or any agreement, transaction, or document related to any of the foregoing, or the solicitation of votes for, or confirmation of, this Plan; the funding of this Plan; the occurrence of the Effective Date; the administration of this Plan or the property to be distributed under this Plan; any membership in (including, but not limited to, on an *ex officio* basis), participation in, or involvement with the Statutory Committees; the issuance of Securities under or in connection with this Plan; or the transactions in furtherance of any of the foregoing; except for Claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted actual fraud or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to this Plan. The Exculpated Parties and each of their respective affiliates, agents, directors, officers, employees, advisors, and attorneys have acted in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distributions pursuant to this Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or such distributions made pursuant to this Plan, including the issuance of Securities thereunder. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, and any other applicable law or rules protecting such Exculpated Parties from liability.

#### **10.9 Releases.**

(a) **Releases by the Debtors.** As of and subject to the occurrence of the Effective Date, except for the rights that remain in effect from and after the Effective Date to enforce this Plan and the Plan Documents, for good and valuable consideration, the adequacy of which is hereby confirmed, including, the service of the Released Parties to facilitate the reorganization of the Debtors, the implementation of the Restructuring, and except as otherwise provided in this Plan or in the Confirmation Order, the Released Parties are deemed forever released and discharged, to the maximum extent permitted by law and unless barred by law, by the Debtors, the Reorganized Debtors, and the Debtors' estates, in each case on behalf of themselves and their respective successors, assigns, and representatives and any and all other Entities who may purport to assert any Cause of Action derivatively, by or through the foregoing Entities, from any and all claims, interests, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, losses, remedies, or liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, the Reorganized Debtors, or the Debtors' estates, whether known or unknown,

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foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors, or the Debtors' estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the Wildfires, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in this Plan, the business or contractual arrangements between any Debtor and any Released Party, the DIP Facilities, the Plan Funding, the Restructuring, the restructuring of any Claim or Interest before or during the Chapter 11 Cases, the Restructuring Transactions, the Public Entities Plan Support Agreements, the Backstop Commitment Letters, the Subrogation Claims RSA, the Exit Financing Documents, the negotiation, formulation, or preparation of the Disclosure Statement and this Plan and related agreements, instruments, and other documents (including the Plan Documents, the Claims Resolution Procedures, the Wildfire Trust Agreements, Public Entities Plan Support Agreements, the Backstop Commitment Letters, the Subrogation Claims RSA, and the Exit Financing Documents), the solicitation of votes with respect to this Plan, any membership (including, but not limited to, on an *ex officio* basis), participation in, or involvement with the Statutory Committees, or any other act or omission, transaction, agreement, event, or other occurrence, and in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to this Plan.

(b) *Releases by Holders of Claims and Interests.* As of and subject to the occurrence of the Effective Date, except for the rights that remain in effect from and after the Effective Date to enforce the Plan and the Plan Documents, for good and valuable consideration, the adequacy of which is hereby confirmed, including, the service of the Released Parties to facilitate the reorganization of the Debtors and the implementation of the Restructuring, and except as otherwise provided in the Plan or in the Confirmation Order, the Released Parties, are deemed forever released and discharged, to the maximum extent permitted by law and unless barred by law, by the Releasing Parties from any and all claims, interests, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, losses, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtors, and any claims for breach of any fiduciary duty (or any similar duty), whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such holders or their affiliates (to the extent such affiliates can be bound) would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Wildfires, the Chapter 11 Cases, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the DIP Facilities, the Plan Funding, the Restructuring, the restructuring of any Claim or Interest before or during the Chapter 11 Cases, the Restructuring Transactions, the Public Entities Plan Support Agreement, the Backstop Commitment Letters, the Subrogation Claims RSA, the Exit Financing Documents, the negotiation, formulation, or preparation of the Disclosure Statement, the Plan and related agreements, instruments, and other documents (including the Plan Documents, the Claims Resolution Procedures, the Wildfire Trust Agreements, Public Entities Plan Support Agreements, the Backstop Commitment Letters, the Subrogation Claims RSA, and the Exit Financing Documents), the solicitation of votes with respect to the Plan, any membership in (including, but not limited to, on an *ex officio* basis), participation in, or involvement with the Statutory Committees, or any other act or omission, transaction, agreement, event, or other occurrence, and in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. Notwithstanding the above, the holders of Ghost Ship Fire Claims and Workers' Compensation Claims retain the right to assert such Claims against the Reorganized Debtors in accordance with the terms of the Plan; and nothing herein shall be deemed to impose a release by holders of Other Wildfire Claims of insurance claims arising under their insurance policies against holders of Subrogation Wildfire Claims, other than any rights such holder may elect to release as part of any settlement as set forth in Section 4.19(f)(ii) hereof.

(c) *Only Consensual Non-Debtor Releases.* Except as set forth under Section 4.19(f)(ii) hereof, for the avoidance of doubt, and notwithstanding any other provision of this Plan, nothing in the Plan is intended to, nor shall the Plan be interpreted to, effect a nonconsensual release by a holder of a Claim in favor of a party that is not a Debtor, it being acknowledged that such holder shall be deemed to release a party that is not a

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Debtor under the Plan solely to the extent that such holder consensually elects to provide such Plan release in accordance with the opt-in release procedures set forth herein or in any applicable Ballot. The holder of a Claim shall receive the same amount of consideration under the Plan whether or not such holder elects to release a party that is not a Debtor in accordance with the opt-in release procedures set forth herein or in any applicable Ballot.

(d) **Release of Liens.** Except as otherwise specifically provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, including the Exit Financing Documents, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the estates shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns, in each case, without any further approval or order of the Bankruptcy Court and without any action or filing being required to be made by the Debtors.

(e) **Waiver of Statutory Limitations on Releases.** Each releasing party in each of the releases contained in the Plan (including under Article X of the Plan) expressly acknowledges that although ordinarily a general release may not extend to claims which the releasing party does not know or suspect to exist in his favor, which if known by it may have materially affected its settlement with the party released, each releasing party has carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or claims. Without limiting the generality of the foregoing, each releasing party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to claims which the claimant does not know or suspect to exist in its favor at the time of executing the release, which if known by it may have materially affected its settlement with the released party, including the provisions of California Civil Code section 1542. The releases contained in this Article X of the Plan are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

(f) **Injunction Related to Releases and Exculpation.** The Confirmation Order shall permanently enjoin the commencement or prosecution by any Person or Entity, whether directly, derivatively, or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, losses, or liabilities released pursuant to this Plan, including, the claims, obligations, suits, judgments, damages, demands, debts, rights, Causes of Action, and liabilities released or exculpated in this Plan. Notwithstanding the above, the holders of Ghost Ship Fire Claims and Workers' Compensation Claims retain the right to assert such Claims against the Reorganized Debtors in accordance with the terms of the Plan.

**10.10 Subordination.** The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments thereof under this Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, sections 510(a), 510(b), or 510(c) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right to reclassify any Allowed Claim (other than any DIP Facility Claims) or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

**10.11 Retention of Causes of Action/Reservation of Rights.**

(a) Except as otherwise provided in Section 10.9 hereof, nothing herein or in the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Debtors or the Reorganized Debtors may have or which the Reorganized Debtors may choose to assert on behalf of their respective estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including (i) any and all Claims against any Person or Entity, to the extent such Person or Entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Reorganized Debtors, or their officers, directors, or representatives and (ii) for the turnover of any property of the Debtors' estates.

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(b) Nothing herein or in the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights or Causes of Action, right of setoff, or other legal or equitable defense that the Debtors had immediately prior to the Petition Date, against or with respect to any Claim left unimpaired by the Plan. The Reorganized Debtors shall have, retain, reserve, and be entitled to assert all such claims, Causes of Action, rights of setoff, and other legal or equitable defenses that they had immediately prior to the Petition Date fully as if the Chapter 11 Cases had not been commenced, and all of the Reorganized Debtors' legal and equitable rights with respect to any Claim left unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

(c) The Reorganized Debtors reserve and shall retain the applicable Causes of Action notwithstanding the rejection of any executory contract or unexpired lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors in accordance with the terms hereof. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

**10.12 Preservation of Causes of Action.** No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided herein.

**10.13 Special Provisions for Governmental Units.** Solely with respect to Governmental Units, nothing herein shall limit or expand the scope of discharge, release, or injunction to which the Debtors or the Reorganized Debtors are entitled under the Bankruptcy Code. Further, nothing herein, including Sections 10.8 and 10.9 hereof, shall discharge, release, enjoin, or otherwise bar (a) any liability of the Debtors or the Reorganized Debtors to a Governmental Unit arising on or after the Confirmation Date with respect to events occurring on or after the Confirmation Date, (b) any liability to a Governmental Unit that is not a Claim, (c) any valid right of setoff or recoupment of a Governmental Unit, (d) any police or regulatory action by a Governmental Unit, (e) any environmental liability to a Governmental Unit that the Debtors, the Reorganized Debtors, any successors thereto, or any other Person or Entity may have as an owner or operator of real property after the Effective Date, or (f) any liability to a Governmental Unit on the part of any Persons or Entities other than the Debtors or the Reorganized Debtors, *provided*, that nothing in this Section 10.13 shall affect the Debtors' releases in Section 10.9 hereof, nor shall anything herein enjoin or otherwise bar any Governmental Unit from asserting or enforcing, outside the Bankruptcy Court, any of the matters described in clauses (a) through (f) above.

**10.14 Document Retention.** On and after the Effective Date, the Reorganized Debtors may maintain documents in accordance with the Debtors' standard document retention policy, as may be altered, amended, modified, or supplemented by the Reorganized Debtors.

**10.15 Solicitation of Plan.** As of the Confirmation Date: (a) the Debtors shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule, or regulation governing the adequacy of disclosure in connection with such solicitation and (b) the Debtors and each of their respective directors, officers, employees, affiliates, agents, restructuring advisors, financial advisors, investment bankers, professionals, accountants, and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan, and therefore are not, and on account of such offer, issuance, and solicitation shall not be, liable at any time for any violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan.

## **Article XI.**

### **Retention of Jurisdiction**

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**11.1 Jurisdiction of Bankruptcy Court.** On and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to the Chapter 11 Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(a) To hear and determine motions for and any disputes involving the assumption, assumption and assignment, or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom, including the determination of any Cure Amount;

(b) To determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced before or after the Confirmation Date, including, any proceeding with respect to a Cause of Action or Avoidance Action;

(c) To ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

(d) To consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim, including any Administrative Expense Claims;

(e) To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(f) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order, judgment or ruling of the Bankruptcy Court, including enforcement of the releases, exculpations, and the Channeling Injunction;

(g) To hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code and to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(h) To hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;

(i) To hear and determine disputes arising in connection with or related to the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated herein, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(j) To hear and determine disputes arising in connection with Disputed Claims;

(k) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following consummation;

(l) To recover all assets of the Debtors and property of the Debtors' estates, wherever located;

(m) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(n) To hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including the expedited determination of taxes under section 505(b) of the Bankruptcy Code);

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(o) To enforce all orders previously entered by the Bankruptcy Court;

(p) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

(q) To resolve any disputes concerning whether a Person or entity had sufficient notice of the Chapter 11 Cases, the Disclosure Statement, any solicitation conducted in connection with the Chapter 11 Cases, any bar date established in the Chapter 11 Cases, or any deadline for responding or objecting to a Cure Amount, in each case, for the purpose for determining whether a Claim or Interest is discharged hereunder or for any other purpose;

(r) To determine any other matters or adjudicate any disputes that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order, the Plan Supplement, or any document related to the foregoing; *provided*, that the Bankruptcy Court shall not retain jurisdiction over disputes concerning documents contained in the Plan Supplement that have a jurisdictional, forum selection or dispute resolution clause that refers disputes to a different court;

(s) To hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;

(t) To hear and determine any rights, claims, or Causes of Action held by or accruing to the Debtors or the Reorganized Debtors pursuant to the Bankruptcy Code or any federal or state statute or legal theory;

(u) To hear and determine any dispute involving the Wildfire Trusts, including but not limited to the interpretation of the Wildfire Trust Agreements;

(v) To hear any other matter not inconsistent with the Bankruptcy Code; and

(w) To enter a final decree closing the Chapter 11 Cases.

To the extent that the Bankruptcy Court is not permitted under applicable law to preside over any of the forgoing matters, the reference to the "Bankruptcy Court" in this Article XI shall be deemed to be replaced by the "District Court." Nothing in this Article XI shall expand the exclusive jurisdiction of the Bankruptcy Court beyond that provided by applicable law.

## Article XII.

### Miscellaneous Provisions

**12.1 Dissolution of Statutory Committees.** On the Effective Date, the Statutory Committees shall dissolve, the current and former members of the Statutory Committees, including any *ex officio* members, and their respective officers, employees, counsel, advisors and agents, shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from and in connection with the Chapter 11 Cases, except for the limited purpose of prosecuting (i) requests for allowances of compensation and reimbursement of expenses incurred prior to the Effective Date or (ii) any appeals of the Confirmation Order.

**12.2 Substantial Consummation.** On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

**12.3 Exemption from Transfer Taxes.** Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of any Security or property hereunder or in connection with the transactions contemplated hereby, the creation, filing, or recording of any mortgage, deed of trust, or other security interest, the making, assignment, filing, or recording of any lease or sublease, or the making or delivery of any deed, bill of sale, or other instrument of transfer under, in furtherance of, or in connection with the Plan, or any agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated herein, shall constitute a "transfer under a

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plan” within the purview of section 1146 of the Bankruptcy Code and shall not be subject to or taxed under any law imposing a stamp tax or similar tax, to the maximum extent provided by section 1146(a) of the Bankruptcy Code. To the maximum extent provided by section 1146(a) of the Bankruptcy Code and applicable nonbankruptcy law, the Restructuring Transactions shall not be taxed under any law imposing a stamp tax or similar tax.

**12.4 Expedited Tax Determination.** The Reorganized Debtors may request an expedited determination of taxes under section 505(b) of the Bankruptcy Code for all returns filed for or on behalf of the Debtors or the Reorganized Debtors for all taxable periods of the Debtors through the Effective Date.

**12.5 Payment of Statutory Fees.** On the Effective Date, and thereafter as may be required, each of the Debtors shall pay all the respective fees payable pursuant to section 1930 of chapter 123 of title 28 of the United States Code, together with interest, if any, pursuant to section 3717 of title 31 of the United States Code, until the earliest to occur of the entry of (i) a final decree closing such Debtor’s Chapter 11 Case, (ii) a Final Order converting such Debtor’s Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, or (iii) a Final Order dismissing such Debtor’s Chapter 11 Case.

**12.6 Plan Modifications and Amendments.** The Plan may be amended, modified, or supplemented by the Debtors or the Reorganized Debtors, as applicable, in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as the Bankruptcy Court may otherwise direct, so long as such action does not materially and adversely affect the treatment of holders of Claims or Interests hereunder. The Debtors may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order with respect to such matters as may be necessary to carry out the purposes and effects of the Plan and any holder of a Claim or Interest that has accepted the Plan shall be deemed to have accepted the Plan as so amended, modified, or supplemented. Prior to the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court; *provided*, that such technical adjustments and modifications do not materially and adversely affect the treatment of holders of Claims or Interests.

**12.7 Revocation or Withdrawal of Plan.** The Debtors may revoke, withdraw, or delay consideration of the Plan prior to the Confirmation Date, either entirely or with respect to one or more of the Debtors, and to file subsequent amended plans of reorganization. If the Plan is revoked, withdrawn, or delayed with respect to fewer than all of the Debtors, such revocation, withdrawal, or delay shall not affect the enforceability of the Plan as it relates to the Debtors for which the Plan is not revoked, withdrawn, or delayed. If the Debtors revoke the Plan in its entirety, the Plan shall be deemed null and void. In such event, nothing herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any other Person in any further proceedings involving the Debtors.

**12.8 Courts of Competent Jurisdiction.** If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of the Plan, such abstention, refusal, or failure of jurisdiction shall have no effect upon and shall not control, prohibit, or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

**12.9 Severability.** If, prior to entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, in each case at the election and request of the Debtors may alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and provide that each term and provision hereof, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms; (b) integral to the Plan and may not be deleted or modified except in accordance with the terms of the Plan; and (c) nonseverable and mutually dependent.

**12.10 Governing Law.** Except to the extent the Bankruptcy Code or other U.S. federal law is applicable, or to the extent a schedule hereto, or a schedule in the Plan Supplement expressly provides otherwise, the rights,

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duties, and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California, without giving effect to the principles of conflicts of law thereof to the extent they would result in the application of the laws of any other jurisdiction.

**12.11 Schedules and Exhibits.** The schedules and exhibits to the Plan and the Plan Supplement are incorporated into, and are part of, the Plan as if set forth herein.

**12.12 Successors and Assigns.** All the rights, benefits, and obligations of any Person named or referred to herein shall be binding on, and inure to the benefit of, the heirs, executors, administrators, successors, and/or assigns of such Person.

**12.13 Time.** In computing any period of time prescribed or allowed herein, unless otherwise set forth herein or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 shall apply.

**12.14 Notices.** To be effective, all notices, requests, and demands to or upon the Debtors shall be in writing (including by facsimile or electronic transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered, or in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

**If to the Debtors, to:**

**PG&E Corporation and Pacific Gas and Electric Company**  
77 Beale Street  
San Francisco, CA 94105  
Attn: Janet Loduca, Senior Vice President and General Counsel  
E-mail: J1Lc@pge.com

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, New York 10153  
Attn: Stephen Karotkin, Ray C. Schrock, Jessica Liou and Matthew Goren  
Telephone: (212) 310-8000  
E-mail: stephen.karotkin@weil.com, ray.schrock@weil.com, jessica.liou@weil.com, matthew.goren@weil.com

Cravath, Swaine & Moore LLP  
Worldwide Plaza  
825 Eighth Avenue  
New York, NY 10019-7475  
Attn: Kevin J. Orsini, Paul H. Zumbro  
Telephone: (212) 474-1000  
Email: korsini@cravath.com,  
pzumbro@cravath.com

Keller & Benvenuti LLP  
650 California Street, Suite 1900  
San Francisco, CA 94108  
Attn: Tobias S. Keller, Peter J. Benvenuti, and Jane Kim  
Telephone: (415) 796 0709  
Email: tkeller@kellerbenvenuti.com, pbenvenuti@kellerbenvenuti.com, jkim@kellerbenvenuti.com.

**If to the Creditors Committee:**

**Milbank LLP**  
**55 Hudson Yards**  
**New York, New York 10001-2163**  
**Attn: Dennis F. Dunne**  
**Telephone: (212) 530-5000**  
**Email: ddunne@milbank.com**

Milbank LLP  
2029 Century Park East, 33rd Floor  
Los Angeles, CA US 90067-3019  
Attn: Thomas A. Kreller  
Telephone: (424) 386-4000  
Email: tkreller@milbank.com

**If to the Tort Claimants Committee:**

**Baker & Hostetler LLP**  
**1160 Battery Street, Suite 100**  
**San Francisco, CA 94111**  
**Attn: Robert Julian and Cecily A. Dumas**  
**Telephone: (628) 208 6434**  
**Email: rjulian@bakerlaw.com and cdumas@bakerlaw.com**

Baker & Hostetler LLP  
11601 Wilshire Boulevard, Suite 1400  
Los Angeles, CA 90025  
Attn: Eric E. Sagerman and Lauren T. Attard  
Telephone (310) 820 8800  
Email: esagerman@bakerlaw.com, lattard@bakerlaw.com

**If to the U.S. Trustee:**

**United States Department of Justice**  
**Office of the U.S. Trustee**  
**450 Golden Gate Avenue, Suite 05-0153**  
**San Francisco, CA 94102**  
**Attn: Andrew R. Vara and Timothy S. Laffredi**  
**Telephone: (415) 705-3333**  
**Email: Andrew.R.Vara@usdoj.gov and Timothy.S.Laffredi@usdoj.gov**

After the occurrence of the Effective Date, the Reorganized Debtors have authority to send a notice to Entities that in order to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entities must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the occurrence of the Effective Date, the Reorganized Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities that have filed such renewed requests.

**12.15 Reservation of Rights.** Except as otherwise provided herein, this Plan shall be of no force or effect unless the Bankruptcy Court enters the Confirmation Order. None of the filing of this Plan, any statement or provision of this Plan, or the taking of any action by the Debtors with respect to this Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtors with respect to any Claims or Interests prior to the Effective Date.

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Dated: November 1, 2019  
San Francisco, California

Respectfully submitted,

PG&E CORPORATION

By: \_  
Name: Jason P. Wells  
Title: Executive Vice President and Chief Financial Officer

PACIFIC GAS AND ELECTRIC COMPANY

By: \_  
Name: David S. Thomason  
Title: Vice President, Chief Financial Officer and Controller

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**Exhibit A**

**Mandatory Convertible Preferred Stock Term Sheet<sup>1</sup>**

**Term Sheet for  
5.00% Mandatory Convertible Preferred Stock**

Issuer:	PG&E Corporation (“ <b>PG&amp;E</b> ”)
Title of Securities:	5.00% Mandatory Convertible Preferred Stock of PG&E (the “ <b>Mandatory Convertible Preferred Stock</b> ”)
Shares of Mandatory Convertible Preferred Stock Offered by PG&E:	Up to [●] shares
Offering Price:	\$1,000 per share of the Mandatory Convertible Preferred Stock
Issue Date:	The Effective Date of the Plan
Liquidation Preference:	\$1,000 per share
Dividends:	5.00% of the Liquidation Preference of \$1,000 per share of the Mandatory Convertible Preferred Stock per year (equivalent to \$50 per annum per share), when, as and if declared by the Board, payable in cash or, by delivery of additional shares of Mandatory Convertible Preferred Stock or any combination of cash and shares of Mandatory Convertible Preferred Stock, as determined by PG&E in its sole discretion
Floor Price:	100% of the Initial Price, subject to standard anti-dilution adjustments
Dividend Payment Dates:	If declared, January 1, April 1, July 1 and October 1 of each year, commencing on (TBD)
Dividend Record Dates:	The March 15, June 15, September 15 and December 15 immediately preceding the next dividend payment date
Redemption:	The Mandatory Convertible Preferred Stock will be redeemable on terms and conditions to be determined

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Initial Price: A per share price equal to (a) the greater of (i) an Implied P/E Multiple of 13.5 or (ii) the Implied P/E Multiple of a Permitted Equity Offering, *times* (b) the Normalized Estimated Net Income as of the Determination Date, *divided by* (c) the number of fully diluted shares of PG&E (calculated using the treasury stock method) that will be outstanding as of the Effective Date.

Threshold Appreciation Price: 110% of the Initial Price, subject to standard ant-dilution adjustments

Mandatory Conversion Date: 1/8<sup>th</sup> of the Mandatory Convertible Preferred Stock will convert into PG&E common stock 90, 180, 270, 360, 450, 540, 630, and 720 days from Issue Date

Conversion Rate: Upon conversion on the Mandatory Conversion Date, the conversion rate for each share of the Mandatory Convertible Preferred Stock will be not more than [●] shares of PG&E common stock (the “*Maximum Conversion Rate*”) and not less than [●] shares of PG&E common stock (the “*Minimum Conversion Rate*”), depending on the Applicable Market Value of the PG&E common stock subject to standard anti-dilution adjustments. The following table illustrates the conversion rate per share of the Mandatory Convertible Preferred Stock (in each case, subject to standard anti-dilution adjustments):

<u>Applicable Market Value of the PG&amp;E Common Stock</u>	<u>Conversion rate (number of shares of PG&amp;E Common Stock to be received upon conversion of each share of the Mandatory Convertible Preferred Stock)</u>
Greater than 110% of the Initial Price (which is the Threshold Appreciation Price)	[●] shares (approximately equal to \$1,000 divided by the Threshold Appreciation Price)
Equal to or less than the Threshold Appreciation Price but greater than or equal to the Floor Price	Between [●] and [●] shares, determined by dividing \$1,000 by the Applicable Market Value of the PG&E common stock
Less than the Floor Price	[●] shares (approximately equal to \$1,000 divided by the Floor Price)

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Applicable Market Value:

The “*Applicable Market Value*” shall be the 10-trading day VWAP immediately preceding the applicable Mandatory Conversion Date

Conversion at the Option of the Holder:

At any time prior to final Mandatory Conversion Date, holders of the Mandatory Convertible Preferred Stock have the option to elect to convert their shares of the Mandatory Convertible Preferred Stock in whole or in part (but in no event less than one share of the Mandatory Convertible Preferred Stock), into shares of PG&E common stock at the Minimum Conversion Rate of shares of PG&E common stock per share of the Mandatory Convertible Preferred Stock. This Minimum Conversion Rate is subject to standard anti-dilution adjustments.

Limitation on Ownership

No holder, together with persons who have a formal or informal understanding with such assignee to make a coordinated acquisition of stock, shall acquire beneficial ownership (within the meaning of Section 382 and the Treasury Regulations) of more than 4.75% of the outstanding Mandatory Convertible Preferred Stock without the prior written consent of PG&E.

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## **Exhibit B**

### **Wildfires**

1. Butte Fire (2015)
2. North Bay Wildfires (2017):
  - a. LaPorte
  - b. McCourtney
  - c. Lobo
  - d. Honey
  - e. Redwood / Potter Valley
  - f. Sulphur
  - g. Cherokee
  - h. 37
  - i. Blue
  - j. Pocket
  - k. Atlas
  - l. Cascade
  - m. Nuns
  - n. Adobe
  - o. Norrbom
  - p. Pressley
  - q. Partrick
  - r. Pythian / Oakmont
  - s. Maacama
  - t. Tubbs
  - u. Point
  - v. Sullivan
3. Camp Fire (2018)

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<sup>1</sup> Capitalized terms used but not otherwise herein defined shall have the meanings ascribed to such terms in the Backstop Commitment Letters

**Exhibit B**

**Release**

The [Debtors]<sup>(1)</sup> and the undersigned party or personal representative (either being referred to herein as “Releasor”), individually and on behalf of the estate of the Releasor agree as follows:

Releasor filed a claim (the “Claim”) against the Debtors arising out of the wildfires listed in **Schedule 1** (the “Wildfires”). The Debtors have reviewed the Claim, determined it to be compensable in the amount of \$[\_\_\_\_], and offered to settle it at this amount (the “Claim Amount”).

By returning this signed Release to the Debtors, the Releasor is agreeing to accept the Debtors’ offer to fully settle the Claim at the Claim Amount, and agreeing that the payment of the Claim Amount constitutes payment in full on the Claim and fully satisfies the Releasor’s losses resulting or arising from the Wildfires.

In consideration for the agreements described in this Release and other good and valuable consideration, and because the Debtors are able to pay and are actually paying the Claim Amount in full, Releasor, on his, her, or its own behalf and on behalf of the Releasor’s heirs, legal representatives, successors or assigns, hereby waives and fully releases Releasor’s insurance carriers and past and present holders of insurance subrogation claims against the Debtors (and their direct and indirect assignors), and each of their directors, officers, agents, consultants, financial advisors, employees, attorneys, predecessors, successors and assigns (collectively the “Releasees”) from, any and all actions, causes of action, claims, demands, damages, costs, expenses, compensation and other amounts, of any nature, known or unknown, contingent or fixed, liquidated or unliquidated, matured or unmatured, that Releasor or any applicable underlying insured may have concerning or alleging that Releasor has not been made whole for its losses resulting from, arising out of, or relating to, the Wildfires. Releasor is not releasing any claims Releasor may have against any Releasee other than the Releasor’s foregoing release of made-whole claims.

Releasor agrees that each Releasee shall be a third-party beneficiary of this Release and may enforce this Release and any rights or remedies set forth herein. Further, Releasor understands that the order confirming the Debtors’ plan of reorganization shall deem each holder of a subrogation claim that is a third party beneficiary of this release to have released Releasor from any claim to Releasor’s recovery from the Debtors on account of the Claim.

TO THE EXTENT APPLICABLE, RELEASOR HEREBY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542 AND UNDER ANY OTHER FEDERAL OR STATE LAW OF SIMILAR EFFECT. CALIFORNIA CIVIL CODE SECTION 1542 PROVIDES THAT “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.” RELEASOR ACKNOWLEDGES THAT HE OR SHE HAS BEEN ADVISED BY HIS OR HER ATTORNEY(S) CONCERNING, AND IS FAMILIAR WITH, THE EFFECT OF THIS WAIVER. RELEASOR UNDERSTANDS AND ACKNOWLEDGES THAT THIS WAIVER PREVENTS RELEASOR FROM MAKING ANY CLAIM AGAINST THE RELEASEES FOR ADDITIONAL DAMAGES EXCEPT AS SPECIFICALLY PROVIDED HEREIN. RELEASOR ACKNOWLEDGES THAT HE OR SHE INTENDS THESE CONSEQUENCES.

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<sup>(1)</sup>Debtors herein may be conformed to the name of an eventual settlement trust, as appropriate. References to trust distribution procedures may also be included where necessary.

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This Release contains the entire agreement between the parties as to the subject matter hereof. If there is a conflict between this Release and any other prior or contemporaneous agreement between the parties concerning the subject matter of the Release, the Release controls.

The law of the State of California shall govern the meaning of this Release.

Releasor states that he, she, or it is of legal age, with no mental disability of any kind, and is fully and completely competent to execute this Release on Releasor's own behalf. Releasor further states that this Release has been explained to Releasor and that Releasor knows the contents as well as the effect thereof. Releasor further acknowledges that Releasor executed this Release after consulting with Releasor's attorney or the opportunity to consult with an attorney.

I am  the Releasor or  the personal representative of the Releasor.

Executed on this [●] day of [●], 20[●].

Signature of Releasor  
Printed Name of Releasor

---

**Schedule 1**

1. 2017 North Bay Wildfires
    - a. 37
    - b. Atlas
    - c. Blue
    - d. Cascade/LaPorte Complex
    - e. Cherokee
    - f. Honey
    - g. Lobo
    - h. Maacama
    - i. McCourtney
    - j. Nuns Complex (including Adobe, Norrbom, Nuns, Partrick, Pressley, Pythian/Oakmont)
    - k. Pocket
    - l. Point
    - m. Redwood/Potter Valley Complex
    - n. Sullivan
    - o. Sulphur
    - p. Tubbs
  
  1. 2018 Camp Fire
-

**Exhibit C**

**TRANSFER AGREEMENT**

The undersigned (together with its affiliates, the "Transferee") (a) hereby acknowledges that it has read and understands the Restructuring Support Agreement, dated as of \_\_\_\_\_ 2019 (the "Agreement"),<sup>1</sup> by and among the Company and each of the Consenting Creditors party thereto, (b) desires to acquire the Claims described below (the "Transferred Claims") from one of the Consenting Creditors (the "Transferor"), (c) agrees to abide by and join any allocation agreement previously entered into by and among the Consenting Creditors, and (d) hereby irrevocably agrees that it and its affiliates shall be bound by the terms and conditions of the Agreement to the same extent Transferor was thereby bound with respect to the Transferred Claims, and it and its affiliates shall be deemed a Consenting Creditor for all purposes under the Agreement.

The Transferee hereby specifically and irrevocably agrees (i) to be bound by the terms and conditions of the Agreement, (ii) to be bound by the vote of the Transferor if cast prior to the effectiveness of the transfer of the Transferred Claims, except as otherwise provided in the Agreement and (iii) that each of the Parties shall be an express third-party beneficiary of this Transfer Agreement and shall have the same recourse against the Transferee under the Agreement as such Party would have had against the Transferor with respect to the Transferred Claims.

**TRANSFEEEE**

\_\_\_\_\_

By:  
Name:  
Title:

Subrogation Claims:

\_\_\_\_\_

**Exhibit D**

**Joinder**

The undersigned (together with its affiliates, the "Joining Party") (a) hereby acknowledges that it has read and understands the Restructuring Support Agreement, dated as of \_\_\_\_\_ 2019 (the "Agreement"),<sup>2</sup> by and among the Company and each of the Consenting Creditors party thereto, (b) desires to join and hereby irrevocably agrees that it and its affiliates shall be bound by the terms and conditions of the Agreement in all respects, and it and its affiliates shall be deemed a Consenting Creditor for all purposes under the Agreement, and (c) agrees to abide by and join any allocation agreement previously entered into by and among the Consenting Creditors.

**Joining Party**

\_\_\_\_\_

By:  
Name:  
Title:

Subrogation Claims

§\_\_

Notice Address:

\_\_\_\_\_

Attn:

\_\_\_\_\_

Fax:

\_\_\_\_\_

Email:

\_\_\_\_\_

\_\_\_\_\_

<sup>2</sup> Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Agreement



**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**FIRST AMENDMENT TO AMENDED AND RESTATED RESTRUCTURING  
SUPPORT AGREEMENT**

This First Amendment to the Amended and Restated Restructuring Support Agreement (“Amendment”) dated as of November 13, 2019 (the “Amendment Effective Date”), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a “Debtor” and collectively, the “Company” or the “Debtors”), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the Amended and Restated RSA (as defined below) shall have the meanings given such terms in the Amended and Restated RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are parties to that certain *Restructuring Support Agreement*, dated as of September 22, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Restructuring Support Agreement* dated as of October 24, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Amended and Restated Restructuring Support Agreement* dated as of November 1, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the “Amended and Restated RSA”);

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the Amended and Restated RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of “RSA Deadline” in Section 1(a) of the Amended and Restated RSA is hereby amended and restated as in its entirety as follows:

“RSA Deadline” means November 24, 2019, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof.”

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers on the date and year first above written.

**PG&E CORPORATION**

By: /s/ Janet C. Loduca

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

Telephone: 415-973-0174

Facsimile: 415-973-8766

**PACIFIC GAS AND ELECTRIC COMPANY**

By: /s/ Janet C. Loduca

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

Telephone: 415-973-0174

Facsimile: 415-973-8766

[Signature Pages of Consenting Creditors Omitted and on File with the Registrant]

**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**SECOND AMENDMENT TO AMENDED AND RESTATED RESTRUCTURING  
SUPPORT AGREEMENT**

This Second Amendment to the Amended and Restated Restructuring Support Agreement (“Amendment”) dated as of November 18, 2019 (the “Amendment Effective Date”), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a “Debtor” and collectively, the “Company” or the “Debtors”), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the Amended and Restated RSA (as defined below) shall have the meanings given such terms in the Amended and Restated RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are parties to that certain *Restructuring Support Agreement*, dated as of September 22, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Restructuring Support Agreement* dated as of October 24, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Amended and Restated Restructuring Support Agreement* dated as of November 1, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the “Amended and Restated RSA”);

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Amended and Restated Restructuring Support Agreement* on November 13, 2019;

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the Amended and Restated RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of “RSA Deadline” in Section 1(a) of the Amended and Restated RSA is hereby amended and restated as in its entirety as follows:

“RSA Deadline” means December 6, 2019, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof.”

*[Signature Pages Follow]*



**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**THIRD AMENDMENT TO AMENDED AND RESTATED RESTRUCTURING  
SUPPORT AGREEMENT**

This Third Amendment to the Amended and Restated Restructuring Support Agreement (“Amendment”) dated as of December 6, 2019 (the “Amendment Effective Date”), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a “Debtor” and collectively, the “Company” or the “Debtors”), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the Amended and Restated RSA (as defined below) shall have the meanings given such terms in the Amended and Restated RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are parties to that certain *Restructuring Support Agreement*, dated as of September 22, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Restructuring Support Agreement* dated as of October 24, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Amended and Restated Restructuring Support Agreement* dated as of November 1, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the “Amended and Restated RSA”);

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Amended and Restated Restructuring Support Agreement* on November 13, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Second Amendment to the Amended and Restated Restructuring Support Agreement* on November 18, 2019;

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the Amended and Restated RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of “RSA Deadline” in Section 1(a) of the Amended and Restated RSA is hereby amended and restated as in its entirety as follows:

“RSA Deadline” means December 11, 2019, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof.”

[Signature Pages Follow]



**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers on the date and year first above written.

**PG&E CORPORATION**

By: /s/ Janet C. Loduca

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

**PACIFIC GAS AND ELECTRIC COMPANY**

By: /s/ Janet C. Loduca

Name: Janet C. Loduca

Title: Senior Vice President, General Counsel

[Signature pages of Consenting Creditors omitted and on file with the registrant]



**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**FOURTH AMENDMENT TO AMENDED AND RESTATED RESTRUCTURING  
SUPPORT AGREEMENT**

This Fourth Amendment to the Amended and Restated Restructuring Support Agreement (“Amendment”) dated as of December 10, 2019 (the “Amendment Effective Date”), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a “Debtor” and collectively, the “Company” or the “Debtors”), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the Amended and Restated RSA (as defined below) shall have the meanings given such terms in the Amended and Restated RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are parties to that certain *Restructuring Support Agreement*, dated as of September 22, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Restructuring Support Agreement* dated as of October 24, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Amended and Restated Restructuring Support Agreement* dated as of November 1, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the “Amended and Restated RSA”);

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Amended and Restated Restructuring Support Agreement* on November 13, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Second Amendment to the Amended and Restated Restructuring Support Agreement* on November 18, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Third Amendment to the Amended and Restated Restructuring Support Agreement* on December 6, 2019;

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the Amended and Restated RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of “RSA Deadline” in Section 1(a) of the Amended and Restated RSA is hereby amended and restated as in its entirety as follows:

“RSA Deadline” means December 16, 2019 at 12:00 p.m. Pacific Time, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof.”

*[Signature Pages Follow]*



**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**FIFTH AMENDMENT TO AMENDED AND RESTATED RESTRUCTURING  
SUPPORT AGREEMENT**

This Fifth Amendment to the Amended and Restated Restructuring Support Agreement (“Amendment”) dated as of December 16, 2019 (the “Amendment Effective Date”), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a “Debtor” and collectively, the “Company” or the “Debtors”), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the Amended and Restated RSA (as defined below) shall have the meanings given such terms in the Amended and Restated RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are parties to that certain *Restructuring Support Agreement*, dated as of September 22, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Restructuring Support Agreement* dated as of October 24, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Amended and Restated Restructuring Support Agreement* dated as of November 1, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the “Amended and Restated RSA”);

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Amended and Restated Restructuring Support Agreement* on November 13, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Second Amendment to the Amended and Restated Restructuring Support Agreement* on November 18, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Third Amendment to the Amended and Restated Restructuring Support Agreement* on December 6, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Fourth Amendment to the Amended and Restated Restructuring Support Agreement* on December 10, 2019;

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the Amended and Restated RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of “RSA Deadline” in Section 1(a) of the Amended and Restated RSA is hereby amended and restated as in its entirety as follows:

“RSA Deadline” means December 18, 2019 at 12:00 p.m. Pacific Time, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof.”

*[Signature Pages Follow]*



**THIS AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, A SOLICITATION FOR CONSENTS TO ANY CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR A SOLICITATION TO TENDER OR EXCHANGE ANY CLAIMS OR INTERESTS. EACH CONSENTING CREDITOR'S VOTE ON THE PLAN SHALL NOT BE SOLICITED UNLESS AND UNTIL SUCH CONSENTING CREDITOR HAS RECEIVED A DISCLOSURE STATEMENT AND RELATED BALLOT(S), AS APPROVED BY THE BANKRUPTCY COURT.**

**SIXTH AMENDMENT TO AMENDED AND RESTATED RESTRUCTURING  
SUPPORT AGREEMENT**

This Sixth Amendment to the Amended and Restated Restructuring Support Agreement (“Amendment”) dated as of December 18, 2019 (the “Amendment Effective Date”), is entered into among (i) PG&E Corporation and Pacific Gas and Electric Company, as debtors and debtors in possession in the Chapter 11 Cases (each, a “Debtor” and collectively, the “Company” or the “Debtors”), and (ii) each of the undersigned Consenting Creditors party hereto who collectively constitute the Requisite Consenting Creditors. Unless otherwise defined herein, all capitalized terms used herein that are defined in the Amended and Restated RSA (as defined below) shall have the meanings given such terms in the Amended and Restated RSA.

**RECITALS:**

**WHEREAS**, the Debtors and the Consenting Creditors are parties to that certain *Restructuring Support Agreement*, dated as of September 22, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Restructuring Support Agreement* dated as of October 24, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Amended and Restated Restructuring Support Agreement* dated as of November 1, 2019 (as amended, restated, supplemented or otherwise modified on or before the Amendment Effective Date, the “Amended and Restated RSA”);

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *First Amendment to the Amended and Restated Restructuring Support Agreement* on November 13, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Second Amendment to the Amended and Restated Restructuring Support Agreement* on November 18, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Third Amendment to the Amended and Restated Restructuring Support Agreement* on December 6, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Fourth Amendment to the Amended and Restated Restructuring Support Agreement* on December 10, 2019;

**WHEREAS**, the Debtors and Requisite Consenting Creditors entered into the *Fifth Amendment to the Amended and Restated Restructuring Support Agreement* on December 16, 2019;

**WHEREAS**, subject to the terms and conditions set forth herein, the parties hereto have agreed to amend the Amended and Restated RSA pursuant to Section 9 thereof in the manner set forth below.

**NOW THEREFORE**, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and agreed, the Debtors and the undersigned Consenting Creditors hereby agree as follows:

SECTION 1. Amendment. Effective as of the Amendment Effective Date, the definition of “RSA Deadline” in Section 1(a) of the Amended and Restated RSA is hereby amended and restated as in its entirety as follows:

“RSA Deadline” means December 20, 2019, which date may be amended or extended by agreement of the Debtors and the Requisite Consenting Creditors pursuant to Section 9 hereof.”

*[Signature Pages Follow]*





**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE-BASED STOCK OPTION AWARD**

**PG&E CORPORATION**, a California corporation, hereby grants performance-based non-qualified stock options (“Options”) to the Participant named below (sometimes referred to as “you”). The Options have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Options are set forth in this cover sheet and in the attached Performance-Based Stock Option Agreement (the “Agreement”).

Date of Grant: August 14, 2019

Name of Participant: William D. Johnson

Participant’s Participant ID: <Emp Id>

Number of Options: 2,866,667

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Options dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE-BASED STOCK OPTION AGREEMENT**

- The LTIP and Other Agreements** This Agreement and the above coversheet constitute the entire understanding between you and PG&E Corporation regarding the Options, subject to the terms of the LTIP. Any prior agreements, commitments, or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.
- Grant of Stock Options** PG&E Corporation grants you the number of Options shown on the cover sheet of this Agreement. The Options will be divided into three tranches. The first tranche will consist of 800,000 Options (the "Tranche 1 Options"), the second tranche will consist of 1,000,000 Options (the "Tranche 2 Options") and the third tranche will consist of 1,066,667 Options (the "Tranche 3 Options"). The Options are subject to the terms and conditions of such cover sheet, this Agreement, and the LTIP.
- Term/Expiration** The Tranche 1 Options and Tranche 2 Options expire at the close of business four years after the Date of Grant and the Tranche 3 Options expire at the close of business five years after the Date of Grant, after which time the Options cease to be exercisable (such period, as applicable, the "Term"). The Options covered by this Agreement are not Incentive Stock Options.
- Option Exercise Price/Term/ Exercise** The exercise price per share of Stock is \$25.00 for the Tranche 1 Options, \$40.00 for the Tranche 2 Options and \$50.00 for the Tranche 3 Options. Vested Options may be exercised by paying the corresponding exercise price, to purchase an equivalent number of shares of Stock.
- To the extent permitted by law, if on the last day of the Term of the Options, the Fair Market Value of one share of Stock exceeds the per share exercise price, and the Participant has not exercised the Option, the Option, to the extent vested, shall be deemed to have been exercised by the Participant using the "Cashless Exercise" method described below to pay the aggregate exercise price and tax withholdings.
- Vesting of Stock Option** As long as you remain employed with PG&E Corporation, the one-third of each of the Tranche 1 Options, Tranche 2 Options and Tranche 3 Options will vest upon, and to the extent of, the Committee's certification of the extent to which the performance goals have been attained for this award on each of December 31, 2019, December 31, 2020 and December 31, 2021 (each, a "Vesting Date"), which certification will occur on or after January 1 but before March 15 of the year following each Vesting Date. Except as described below, all Options that have not vested will be cancelled upon termination of your employment.
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**Performance Goals**

For the December 31, 2019 Vesting Date, the number of Options you are entitled to exercise will be calculated by multiplying the number of vested Options by the “payout percentage” determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number:

The Options have safety-based, financial-based and customer-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals. The Options’ performance goals will be a modification of the 2019 STIP performance goals as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Options’ performance goals are set forth on Exhibit A, as measured over the period April 1, 2019 through December 31, 2019, subject to adjustment as set forth below.

Achievement of the Options’ performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

For the December 31, 2020 and December 31, 2021 Vesting Dates, the applicable performance goals will be determined by the Committee in its good faith discretion.

The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP.

**Dividends**

Options do not have tandem dividend equivalents and do not accrue dividend equivalents.

**Voluntary Termination**

In the event of your voluntary termination, all unvested Options will be cancelled on the date of termination. Vested Options may be exercised for the remaining Term of the Options.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause, all vested and unvested Options will be cancelled immediately. In general, termination for “cause” means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause, any unvested Options will be cancelled unless your termination of employment was in connection with a Change in Control as provided below. Vested Options may be exercised for the remaining Term of the Options.

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**Death/Disability**

If your employment terminates due to your death or Disability, all of your Options will continue to vest and become exercisable on the applicable Vesting Date following the Committee's certification of the extent to which the performance goals have been attained (without regard to the requirement that you be employed). Vested Options may be exercised within one year after the applicable Vesting Date or the remaining Term of the Options, whichever is shorter.

**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Options subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Options will vest on the applicable Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%.

If the Options are neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Options, all of your unvested Options will vest and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Such Options will be cancelled for fair value (as determined by the Committee in its sole discretion in good faith) which, if so determined by the Committee, will equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction, directly or indirectly, to holders of the same number and class of shares of Stock subject to such unvested Options over the aggregate exercise price of such unvested Options.

**Termination In Connection with a Change in Control (if Acquiror assumes, continues, or substitutes the awards)**

If your employment is terminated (other than termination for cause or your voluntary termination) in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Options (including Options that you would have otherwise forfeited after such termination) will vest on the date of the Change in Control and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Vested Options may be exercised within one year after the Change in Control or the remaining Term of the Options, whichever is shorter.

In the event your employment is terminated (other than termination for cause or your voluntary termination) in connection with a Change in Control within two years following the Change in Control, your Options (to the extent they did not previously vest upon, for example, failure of the Acquiror to assume or continue this award) will vest on the date of such termination and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Vested Options may be exercised within one year after the termination or the remaining term of the Options, whichever is shorter.

PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

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**Exercise of Options/Payment of Withholding Taxes**

Vested Stock Options may be exercised using the following methods, subject to such terms and conditions as the Committee may impose, at the Participant's election:

- Cashless Exercise – Upon exercise, all shares are sold by a broker chosen by PG&E Corporation. The aggregate exercise price and required taxes are remitted to PG&E Corporation. The remaining proceeds, less broker fees, are delivered to the Participant.
- Cash Exercise – To exercise, the Participant delivers the sum of the aggregate exercise price and taxes due by check made payable to PG&E Corporation or in such other manner prescribed by PG&E Corporation. The exercised shares are delivered to the Participant.
- Stock Swap – Payment of the aggregate exercise price and tax withholding is made by tender to PG&E Corporation or attestation to the ownership of shares of PG&E Corporation common stock owned by the Participant having a Fair Market Value not less than the exercise price and taxes due. Notwithstanding the foregoing, such a stock swap would not be allowed to the extent that such tender or attestation would constitute a violation of any provisions of any law, regulation, or agreement restricting the redemption of PG&E Corporation's stock, or would have unfavorable accounting consequences or any member of the Participating Company Group.

In no event will shares of Stock be delivered pursuant to the exercise of the Options until the Participant has made arrangements acceptable to the Committee for the satisfaction of applicable withholding obligations, including income and employment tax withholding obligations.

**Leaves of Absence**

For purposes of this Agreement, if you are on an approved leave of absence from PG&E Corporation, or a recipient of PG&E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under "Voluntary Termination."

PG&E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.

**Voting and Other Rights**

You will not have voting rights with respect to the Options, unless you exercise Options and shares are issued to you. No Options and no shares of Stock that have not been issued hereunder may be sold, assigned, transferred, pledged, or otherwise encumbered, other than by will or the laws of decent and distribution, and the Options may be exercised during the life of the Participant only by the Participant or the Participant's guardian or legal representative.

**No Retention Rights**

This Agreement is not an employment agreement and does not give you the right to be retained by PG&E Corporation. Except as otherwise provided in an applicable employment agreement, PG&E Corporation reserves the right to terminate your employment at any time and for any reason.

**Recoupment of Awards**

Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&E Corporation).

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**Change in Capital Structure/Anti-Dilution**

In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Johnson. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court's order entered at Docket No. 3546 approving the anti-dilution protection provided herein.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of California.

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## EXHIBIT A

### Performance-Based Stock Options Performance Goals

1. **Safety Metrics (inclusive of all safety-related Performance Metrics) (Weight: 65%):**
  - a. **Nuclear Reliability and Safety Indicator (Weight: 5%):** Measures nuclear power generation and safety based on performance indicators for nuclear power generation developed by nuclear industry and applied to all U.S. nuclear power plants.
  - b. **Public Safety Index (Weight: 25%):** This metric includes two equally weighted sub-metrics:
    - i. **Enhanced Vegetation Management (“EVM”):** EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
    - ii. **System Hardening:** System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.
  1. **First-Time ILI Miles (Weight: 10%):** Measures the number of miles of natural gas transmission pipelines that were successfully inspected for the first following the introduction of inspection tools (sensors) within the pipelines.
  2. **Asset Records Duration Index (Weight: 10%):** Tracks the average number of days required to complete appropriate documentation of electric and gas construction projects.
  3. **Serious Injuries and Fatalities Corrective Actions Index (15%):** Measures the quality (as determined by independent safety expert) and timeliness of corrective actions implemented in response to employee and contractor serious injuries and fatalities events.
2. **Customer Satisfaction (Weight: 10%):** Measures the number of customer complaints escalated to the CPUC.
3. **Financial Performance (Weight: 25%):** Earnings from Operations (“EFO”): Measures financial performance from core operations calculated as net income adjusted for income or expenses associated with events or circumstances outside of ongoing core operations.



**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AWARD – FINANCIAL**

**PG&E CORPORATION**, a California corporation, hereby grants Performance Shares to the Recipient named below (sometimes referred to as “you”). The Performance Shares have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Performance Shares are set forth in this cover sheet and the attached Performance Share Agreement (the “Agreement”).

Date of Grant: August 14, 2019

Name of Recipient: William D. Johnson

Recipient’s Participant ID: <Emp Id>

Number of Performance Shares: 23,560

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Performance Shares dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT - FINANCIAL**

**The LTIP and Other  
Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Performance Shares, subject to the terms of the LTIP. Any prior agreements, commitments or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. The LTIP provides the Committee with discretion to adjust the performance award formula.

For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of  
Performance Shares**

PG&E Corporation grants you the number of Performance Shares shown on the cover sheet of this Agreement (the "Performance Shares"). The Performance Shares are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Performance Shares**

As long as you remain employed with PG&E Corporation, the Performance Shares will vest upon, and to the extent of, the Committee's certification of the extent to which performance goals have been attained for this award as of December 31, 2019 (the "Vesting Date"), which certification will occur on or after January 1, 2020 but before March 15, 2020. Except as described below, all Performance Shares that have not vested will be cancelled upon termination of your employment.

**Settlement in Shares/  
Performance Goals**

Vested Performance Shares will be settled in shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. The number of shares you are entitled to receive will be calculated by multiplying the number of vested Performance Shares by the "payout percentage" determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number.

The Performance Shares have financial-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals as measured over the period April 1, 2019 through December 31, 2019. The Performance Shares' performance goals will be a modification of the 2019 STIP financial performance goals and safety index metrics as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Performance Shares' performance goals are set forth on Exhibit A, subject to adjustment as set forth below.

Achievement of the Performance Shares' performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

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The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP. PG&E Corporation will issue shares as soon as practicable after such determination, but no earlier than the Vesting Date, and not later than March 15 of the calendar year following the Vesting Date.

**Dividends**

Each time that PG&E Corporation declares a dividend on its shares of common stock, an amount equal to the dividend multiplied by the number of Performance Shares granted to you by this Agreement will be accrued on your behalf. If you receive a Performance Share settlement in accordance with the preceding paragraph, at that same time you also will receive a cash payment equal to the amount of any dividends accrued with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Voluntary Termination**

If you terminate your employment with PG&E Corporation voluntarily before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited. In general, termination for "cause" means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause before the Vesting Date, a portion of your outstanding Performance Shares will vest proportionally based on the number of months prior to the Vesting Date that you were employed by PG&E (rounded down) divided by eight (8). All other outstanding Performance Shares will be cancelled, and any associated accrued dividends will be forfeited, unless your termination of employment was in connection with a Change in Control as provided below. Your vested Performance Shares will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Death/Disability**

If your employment terminates due to your death or disability before the Vesting Date, all of your Performance Shares will immediately vest and will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

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**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Performance Shares will vest on the Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Settlement will occur as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares from the date of grant through the Vesting Date multiplied by a payout percentage of 100%.

If the Change in Control of PG&E Corporation occurs before the Vesting Date, and if this award is neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement, all of your outstanding Performance Shares will vest and become nonforfeitable on the date of the Change in Control. Such vested Performance Shares will be settled, if at all, as soon as practicable following the original Vesting Date and no later than March 15 of the year following the Vesting Date. The performance goals will be deemed to have been achieved at target and the payout percentage will be 100%. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares to the date of the Change in Control multiplied by a payout percentage of 100%.

**Termination In Connection with a Change in Control**

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within two years following the Change in Control, all of your outstanding Performance Shares (to the extent they did not previously vest upon failure of the Acquiror to assume or continue this award) will vest and become nonforfeitable on the date of termination of your employment.

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Performance Shares will vest in full and become nonforfeitable (including the portion that you would have otherwise forfeited based on the proration of vested Performance Shares through the date of termination of your employment) as of the date of the Change in Control.

Your vested Performance Shares, if any, will be settled as soon as practicable following the original Vesting Date but no later than March 15 of the year following the Vesting Date, based on the payout percentage (which in this case will be deemed to be at target, consistent with the "Change in Control" section, above). At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

**Withholding Taxes**

The number of shares of PG&E Corporation common stock that you are otherwise entitled to receive upon settlement of your Performance Shares will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&E Corporation in connection with the Performance Shares determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax ("Withholding Taxes"). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.

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**Leaves of Absence**

For purposes of this Agreement, if you are on an approved leave of absence from PG&E Corporation, or a recipient of PG&E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under "Voluntary Termination."

PG&E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.

**No Retention Rights**

This Agreement is not an employment agreement and does not give you the right to be retained by PG&E Corporation. Except as otherwise provided in an applicable employment agreement, PG&E Corporation reserves the right to terminate your employment at any time and for any reason.

**Recoupment of Awards**

Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&E Corporation).

**Change in Capital Structure/Anti-Dilution**

In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Johnson. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court's order entered at Docket No. 3546 approving the anti-dilution protection provided herein.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of California.

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## **EXHIBIT A**

### **Performance Shares Performance Goals**

1. **Financial Performance**: Earnings from Operations (“**EFO**”): Measures financial performance from core operations calculated as net income adjusted for income or expenses associated with events or circumstances outside of ongoing core operations.
  
2. **Public Safety Index**: This metric includes two equally weighted sub-metrics:
  - i. **Enhanced Vegetation Management (“EVM”)**: EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
  - ii. **System Hardening**: System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AWARD – CUSTOMER**

**PG&E CORPORATION**, a California corporation, hereby grants Performance Shares to the Recipient named below (sometimes referred to as “you”). The Performance Shares have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Performance Shares are set forth in this cover sheet and the attached Performance Share Agreement (the “Agreement”).

Date of Grant: August 14, 2019

Name of Recipient: William D. Johnson

Recipient’s Participant ID: <Emp Id>

Number of Performance Shares: 9,424

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Performance Shares dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT - CUSTOMER**

**The LTIP and Other  
Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Performance Shares, subject to the terms of the LTIP. Any prior agreements, commitments or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. The LTIP provides the Committee with discretion to adjust the performance award formula.

For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of  
Performance Shares**

PG&E Corporation grants you the number of Performance Shares shown on the cover sheet of this Agreement (the "Performance Shares"). The Performance Shares are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Performance Shares**

As long as you remain employed with PG&E Corporation, the Performance Shares will vest upon, and to the extent of, the Committee's certification of the extent to which performance goals have been attained for this award as of December 31, 2019 (the "Vesting Date"), which certification will occur on or after January 1, 2020 but before March 15, 2020. Except as described below, all Performance Shares that have not vested will be cancelled upon termination of your employment.

**Settlement in Shares/  
Performance Goals**

Vested Performance Shares will be settled in shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. The number of shares you are entitled to receive will be calculated by multiplying the number of vested Performance Shares by the "payout percentage" determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number.

The Performance Shares have customer-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals as measured over the period April 1, 2019 through December 31, 2019. The Performance Shares' performance goals will be a modification of the 2019 STIP customer performance goals and safety index metrics as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Performance Shares' performance goals are set forth on Exhibit A, subject to adjustment as set forth below.

Achievement of the Performance Shares' performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

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The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP. PG&E Corporation will issue shares as soon as practicable after such determination, but no earlier than the Vesting Date, and not later than March 15 of the calendar year following the Vesting Date.

**Dividends**

Each time that PG&E Corporation declares a dividend on its shares of common stock, an amount equal to the dividend multiplied by the number of Performance Shares granted to you by this Agreement will be accrued on your behalf. If you receive a Performance Share settlement in accordance with the preceding paragraph, at that same time you also will receive a cash payment equal to the amount of any dividends accrued with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Voluntary Termination**

If you terminate your employment with PG&E Corporation voluntarily before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited. In general, termination for "cause" means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause before the Vesting Date, a portion of your outstanding Performance Shares will vest proportionally based on the number of months prior to the Vesting Date that you were employed by PG&E (rounded down) divided by eight (8). All other outstanding Performance Shares will be cancelled, and any associated accrued dividends will be forfeited, unless your termination of employment was in connection with a Change in Control as provided below. Your vested Performance Shares will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Death/Disability**

If your employment terminates due to your death or disability before the Vesting Date, all of your Performance Shares will immediately vest and will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

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**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Performance Shares will vest on the Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Settlement will occur as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares from the date of grant through the Vesting Date multiplied by a payout percentage of 100%.

If the Change in Control of PG&E Corporation occurs before the Vesting Date, and if this award is neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement, all of your outstanding Performance Shares will vest and become nonforfeitable on the date of the Change in Control. Such vested Performance Shares will be settled, if at all, as soon as practicable following the original Vesting Date and no later than March 15 of the year following the Vesting Date. The performance goals will be deemed to have been achieved at target and the payout percentage will be 100%. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares to the date of the Change in Control multiplied by a payout percentage of 100%.

**Termination In Connection with a Change in Control**

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within two years following the Change in Control, all of your outstanding Performance Shares (to the extent they did not previously vest upon failure of the Acquiror to assume or continue this award) will vest and become nonforfeitable on the date of termination of your employment.

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Performance Shares will vest in full and become nonforfeitable (including the portion that you would have otherwise forfeited based on the proration of vested Performance Shares through the date of termination of your employment) as of the date of the Change in Control.

Your vested Performance Shares, if any, will be settled as soon as practicable following the original Vesting Date but no later than March 15 of the year following the Vesting Date, based on the payout percentage (which in this case will be deemed to be at target, consistent with the "Change in Control" section, above). At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

**Withholding Taxes**

The number of shares of PG&E Corporation common stock that you are otherwise entitled to receive upon settlement of your Performance Shares will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&E Corporation in connection with the Performance Shares determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax ("Withholding Taxes"). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.

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**Leaves of Absence**

For purposes of this Agreement, if you are on an approved leave of absence from PG&E Corporation, or a recipient of PG&E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under "Voluntary Termination."

PG&E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.

**No Retention Rights**

This Agreement is not an employment agreement and does not give you the right to be retained by PG&E Corporation. Except as otherwise provided in an applicable employment agreement, PG&E Corporation reserves the right to terminate your employment at any time and for any reason.

**Recoupment of Awards**

Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&E Corporation).

**Change in Capital Structure/Anti-Dilution**

In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Johnson. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court's order entered at Docket No. 3546 approving the anti-dilution protection provided herein.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of California.

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## **EXHIBIT A**

### **Performance Shares Performance Goals**

1. **Customer Satisfaction**: Measures the number of customer complaints escalated to the CPUC.
2. **Public Safety Index**: This metric includes two equally weighted sub-metrics:
  - i. **Enhanced Vegetation Management (“EVM”)**: EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
  - ii. **System Hardening**: System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AWARD – SAFETY**

**PG&E CORPORATION**, a California corporation, hereby grants Performance Shares to the Recipient named below (sometimes referred to as “you”). The Performance Shares have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Performance Shares are set forth in this cover sheet and the attached Performance Share Agreement (the “Agreement”).

Date of Grant: August 14, 2019

Name of Recipient: William D. Johnson

Recipient’s Participant ID: <Emp Id>

Number of Performance Shares: 61,255

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Performance Shares dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT - SAFETY**

**The LTIP and Other  
Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Performance Shares, subject to the terms of the LTIP. Any prior agreements, commitments or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. The LTIP provides the Committee with discretion to adjust the performance award formula.

For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of  
Performance Shares**

PG&E Corporation grants you the number of Performance Shares shown on the cover sheet of this Agreement (the "Performance Shares"). The Performance Shares are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Performance Shares**

As long as you remain employed with PG&E Corporation, the Performance Shares will vest upon, and to the extent of, the Committee's certification of the extent to which performance goals have been attained for this award as of December 31, 2019 (the "Vesting Date"), which certification will occur on or after January 1, 2020 but before March 15, 2020. Except as described below, all Performance Shares that have not vested will be cancelled upon termination of your employment.

**Settlement in Shares/  
Performance Goals**

Vested Performance Shares will be settled in shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. The number of shares you are entitled to receive will be calculated by multiplying the number of vested Performance Shares by the "payout percentage" determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number.

The Performance Shares have safety-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals as measured over the period April 1, 2019 through December 31, 2019. The Performance Shares' performance goals will be a modification of the 2019 STIP safety performance goals as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Performance Shares' performance goals are set forth on Exhibit A, subject to adjustment as set forth below.

Achievement of the Performance Shares' performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

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The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP. PG&E Corporation will issue shares as soon as practicable after such determination, but no earlier than the Vesting Date, and not later than March 15 of the calendar year following the Vesting Date.

**Dividends**

Each time that PG&E Corporation declares a dividend on its shares of common stock, an amount equal to the dividend multiplied by the number of Performance Shares granted to you by this Agreement will be accrued on your behalf. If you receive a Performance Share settlement in accordance with the preceding paragraph, at that same time you also will receive a cash payment equal to the amount of any dividends accrued with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Voluntary Termination**

If you terminate your employment with PG&E Corporation voluntarily before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited. In general, termination for "cause" means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause before the Vesting Date, a portion of your outstanding Performance Shares will vest proportionally based on the number of months prior to the Vesting Date that you were employed by PG&E (rounded down) divided by eight (8). All other outstanding Performance Shares will be cancelled, and any associated accrued dividends will be forfeited, unless your termination of employment was in connection with a Change in Control as provided below. Your vested Performance Shares will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Death/Disability**

If your employment terminates due to your death or disability before the Vesting Date, all of your Performance Shares will immediately vest and will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

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**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Performance Shares will vest on the Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Settlement will occur as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares from the date of grant through the Vesting Date multiplied by a payout percentage of 100%.

If the Change in Control of PG&E Corporation occurs before the Vesting Date, and if this award is neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement, all of your outstanding Performance Shares will vest and become nonforfeitable on the date of the Change in Control. Such vested Performance Shares will be settled, if at all, as soon as practicable following the original Vesting Date and no later than March 15 of the year following the Vesting Date. The performance goals will be deemed to have been achieved at target and the payout percentage will be 100%. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares to the date of the Change in Control multiplied by a payout percentage of 100%.

**Termination In Connection with a Change in Control**

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within two years following the Change in Control, all of your outstanding Performance Shares (to the extent they did not previously vest upon failure of the Acquiror to assume or continue this award) will vest and become nonforfeitable on the date of termination of your employment.

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Performance Shares will vest in full and become nonforfeitable (including the portion that you would have otherwise forfeited based on the proration of vested Performance Shares through the date of termination of your employment) as of the date of the Change in Control.

Your vested Performance Shares, if any, will be settled as soon as practicable following the original Vesting Date but no later than March 15 of the year following the Vesting Date, based on the payout percentage (which in this case will be deemed to be at target, consistent with the "Change in Control" section, above). At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

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<b>Withholding Taxes</b>	The number of shares of PG&E Corporation common stock that you are otherwise entitled to receive upon settlement of your Performance Shares will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&E Corporation in connection with the Performance Shares determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax (“Withholding Taxes”). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.
<b>Leaves of Absence</b>	<p>For purposes of this Agreement, if you are on an approved leave of absence from PG&amp;E Corporation, or a recipient of PG&amp;E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&amp;E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under “Voluntary Termination.”</p> <p>PG&amp;E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.</p>
<b>No Retention Rights</b>	This Agreement is not an employment agreement and does not give you the right to be retained by PG&E Corporation. Except as otherwise provided in an applicable employment agreement, PG&E Corporation reserves the right to terminate your employment at any time and for any reason.
<b>Recoupment of Awards</b>	Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&E Corporation).
<b>Change in Capital Structure/Anti-Dilution</b>	In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Johnson. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court’s order entered at Docket No. 3546 approving the anti-dilution protection provided herein.
<b>Applicable Law</b>	This Agreement will be interpreted and enforced under the laws of the State of California.

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## **EXHIBIT A**

### **Performance Shares Performance Goals**

#### **Safety Metrics (inclusive of all safety-related Performance Metrics):**

1. **Nuclear Reliability and Safety Indicator (Weight: 8%):** Measures nuclear power generation and safety based on performance indicators for nuclear power generation developed by nuclear industry and applied to all U.S. nuclear power plants.
2. **Public Safety Index (Weight: 39%):** This metric includes two equally weighted sub-metrics:
  - i. **Enhanced Vegetation Management (“EVM”):** EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
  - ii. **System Hardening:** System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.
3. **First-Time ILI Miles (Weight: 15%):** Measures the number of miles of natural gas transmission pipelines that were successfully inspected for the first following the introduction of inspection tools (sensors) within the pipelines.
4. **Asset Records Duration Index (Weight: 15%):** Tracks the average number of days required to complete appropriate documentation of electric and gas construction projects.
5. **Serious Injuries and Fatalities Corrective Actions Index (23%):** Measures the quality (as determined by independent safety expert) and timeliness of corrective actions implemented in response to employee and contractor serious injuries and fatalities events.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AWARD**

**PG&E CORPORATION**, a California corporation, hereby grants Restricted Stock Units to the Recipient named below (sometimes referred to as “you”). The Restricted Stock Units have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Restricted Stock Units are set forth in this cover sheet and in the attached Restricted Stock Unit Agreement (the “Agreement”).

Date of Grant: August 14, 2019

Name of Recipient: William D. Johnson

Recipient’s Participant ID: <Emp Id>

Number of Restricted Stock Units: 31,413

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Restricted Stock Units dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION**  
**2014 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AGREEMENT**

**The LTIP and Other Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Restricted Stock Units, subject to the terms of the LTIP. Any prior agreements, commitments, or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of Restricted Stock Units** PG&E Corporation grants you the number of Restricted Stock Units shown on the cover sheet of this Agreement. The Restricted Stock Units are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Restricted Stock Units** As long as you remain employed with PG&E Corporation, the total number of Restricted Stock Units originally subject to this Agreement, as shown on the cover sheet, will vest in accordance with the below vesting schedule (the "Normal Vesting Schedule").

August 14, 2020 – one-third of the Restricted Stock Units

August 14, 2021 – one-third of the Restricted Stock Units

August 14, 2022 – one-third of the Restricted Stock Units

The amounts payable upon each vesting date are hereby designated separate payments for purposes of Section 409A of the Internal Revenue Code of 1986, as amended ("Code"). Except as described below, all Restricted Stock Units subject to this Agreement which have not vested upon termination of your employment will then be cancelled. As set forth below, the Restricted Stock Units may vest earlier upon the occurrence of certain events.

**Dividends** Restricted Stock Units will accrue Dividend Equivalents in the event that cash dividends are paid with respect to PG&E Corporation common stock having a record date prior to the date on which the RSUs are settled. Such Dividend Equivalents will be converted into cash and paid, if at all, upon settlement of the underlying Restricted Stock Units.

**Settlement** Vested Restricted Stock Units will be settled in an equal number of shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. PG&E Corporation will issue shares as soon as practicable after the Restricted Stock Units vest in accordance with the Normal Vesting Schedule (but not later than sixty (60) days after the applicable vesting date); provided, however, that such issuance will, if earlier, be made with respect to all of your outstanding vested Restricted Stock Units (after giving effect to the vesting provisions described below) as soon as practicable after (but not later than sixty (60) days after) the earliest to occur of your (1) Disability (as defined under Code Section 409A), (2) death, or (3) "separation from service," within the meaning of Code Section 409A within 2 years following a Change in Control.

**Voluntary Termination** In the event of your voluntary termination, all unvested Restricted Stock Units will be cancelled on the date of termination.

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**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause, all unvested Restricted Stock Units will be cancelled on the date of termination. In general, termination for “cause” means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause, a number of unvested Restricted Stock Units, determined on a pro rata basis (as provided below), will vest and be settled as soon as practicable after (but not later than sixty (60) days after) the date of your termination of employment. With respect to each third of the total Restricted Stock Units shown on the cover sheet of this Agreement that is subject to either a one-, two-, or three-year normal vesting period under the Normal Vesting Schedule (each third, a “Tranche”), such number of vested Restricted Stock Units will be equal to the product obtained by multiplying (i) the number of Restricted Stock Units in such Tranche, to the extent such Tranche has not already vested, by (ii) the quotient obtained by dividing (A) the number of full months that you were employed following the Date of Grant, August 14, 2019, by (B) the number of yearly vesting periods associated with such unvested Tranche of Restricted Stock Units multiplied by 12. All other unvested Restricted Stock Units will be cancelled unless your termination of employment was in connection with a Change in Control as provided below.

**Death/Disability**

In the event of your death or Disability (as defined in Code Section 409A) while you are employed, all of your Restricted Stock Units will vest and be settled as soon as practicable after (but not later than sixty (60) days after) the date of such event. If your death or Disability occurs following the termination of your employment and your Restricted Stock Units are then outstanding under the terms hereof, then all of your vested Restricted Stock Units plus any Restricted Stock Units that would have otherwise vested during any continued vesting period hereunder will be settled as soon as practicable after (but not later than sixty (60) days after) the date of your death or Disability.

**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the “Acquiror”), may, without your consent, either assume or continue PG&E Corporation’s rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Restricted Stock Units subject to this Agreement.

If the Restricted Stock Units are neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Restricted Stock Units, all of your unvested Restricted Stock Units will vest immediately preceding and contingent on, the Change in Control and be settled in accordance with the Normal Vesting Schedule, subject to the earlier settlement provisions of this Agreement.

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**Termination In Connection with a Change in Control**

If you separate from service (other than termination for cause or your voluntary termination) in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Restricted Stock Units (including Restricted Stock Units that you would have otherwise forfeited after the end of the continued vesting period) will vest on the date of the Change in Control and will be settled in accordance with the Normal Vesting Schedule (without regard to the requirement that you be employed) subject to the earlier settlement provisions of this Agreement.

In the event of such a separation in connection with a Change in Control within two years following the Change in Control, your Restricted Stock Units (to the extent they did not previously vest upon, for example, failure of the Acquiror to assume or continue this award) will vest on the date of such separation and will be settled as soon as practicable after (but not later than sixty (60) days after) the date of such separation. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

**Delay**

PG&E Corporation will delay the issuance of any shares of common stock to the extent it is necessary to comply with Code Section 409A(a)(2)(B)(i) (relating to payments made to certain “key employees” of certain publicly-traded companies); in such event, any shares of common stock to which you would otherwise be entitled during the six (6) month period following the date of your “separation from service” under Section 409A (or shorter period ending on the date of your death following such separation) will instead be issued on the first business day following the expiration of the applicable delay period.

**Withholding Taxes**

The number of shares of PG&E Corporation common stock that you are otherwise entitled to receive upon settlement of Restricted Stock Units will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&E Corporation in connection with the Restricted Stock Units determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax (“Withholding Taxes”). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.

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**Leaves of Absence**

For purposes of this Agreement, if you are on an approved leave of absence from PG&E Corporation, or a recipient of PG&E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under "Voluntary Termination."

Notwithstanding the foregoing, if the leave of absence exceeds six (6) months, and a return to service upon expiration of such leave is not guaranteed by statute or contract, then you will be deemed to have had a "separation from service" for purposes of any Restricted Stock Units that are settled hereunder upon such separation. To the extent an authorized leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least six (6) months and such impairment causes you to be unable to perform the duties of your position of employment or any substantially similar position of employment, the six (6) month period in the prior sentence will be twenty-nine (29) months.

PG&E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.

**Voting and Other Rights**

You will not have voting rights with respect to the Restricted Stock Units until the date the underlying shares are issued (as evidenced by appropriate entry on the books of PG&E Corporation or its duly authorized transfer agent). No Restricted Stock Units and no shares of Stock that have not been issued hereunder may be sold, assigned, transferred, pledged, or otherwise encumbered, other than by will or the laws of decent and distribution, and the Restricted Stock Units may be exercised during the life of the Recipient only by the Recipient or the Recipient's guardian or legal representative.

**No Retention Rights**

This Agreement is not an employment agreement and does not give you the right to be retained by PG&E Corporation. Except as otherwise provided in an applicable employment agreement, PG&E Corporation reserves the right to terminate your employment at any time and for any reason.

**Recoupment of Awards**

Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&E@Work internet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&E Corporation).

**Change in Capital Structure/Anti-Dilution**

In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Johnson. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court's order entered at Docket No. 3546 approving the anti-dilution protection provided herein.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of California.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AWARD**

**PG&E CORPORATION**, a California corporation, hereby grants Restricted Stock Units to the Recipient named below (sometimes referred to as “you”). The Restricted Stock Units have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Restricted Stock Units are set forth in this cover sheet and in the attached Restricted Stock Unit Agreement (the “Agreement”).

Date of Grant: November 12, 2019

Name of Recipient: Andrew Vesey

Recipient’s Participant ID: <Emp Id>

Number of Restricted Stock Units: 12,004

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Restricted Stock Units dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AGREEMENT**

**The LTIP and Other Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Restricted Stock Units, subject to the terms of the LTIP. Any prior agreements, commitments, or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of Restricted Stock Units**

PG&E Corporation grants you the number of Restricted Stock Units shown on the cover sheet of this Agreement. The Restricted Stock Units are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Restricted Stock Units**

As long as you remain employed with PG&E Corporation, the total number of Restricted Stock Units originally subject to this Agreement, as shown on the cover sheet, will vest in accordance with the below vesting schedule (the "Normal Vesting Schedule").

November 12, 2020 – one-third of the Restricted Stock Units

November 12, 2021 – one-third of the Restricted Stock Units

November 12, 2022 – one-third of the Restricted Stock Units

The amounts payable upon each vesting date are hereby designated separate payments for purposes of Section 409A of the Internal Revenue Code of 1986, as amended ("Code"). Except as described below, all Restricted Stock Units subject to this Agreement which have not vested upon termination of your employment will then be cancelled. As set forth below, the Restricted Stock Units may vest earlier upon the occurrence of certain events.

**Dividends**

Restricted Stock Units will accrue Dividend Equivalents in the event that cash dividends are paid with respect to PG&E Corporation common stock having a record date prior to the date on which the RSUs are settled. Such Dividend Equivalents will be converted into cash and paid, if at all, upon settlement of the underlying Restricted Stock Units.

**Settlement**

Vested Restricted Stock Units will be settled in an equal number of shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. PG&E Corporation will issue shares as soon as practicable after the Restricted Stock Units vest in accordance with the Normal Vesting Schedule (but not later than sixty (60) days after the applicable vesting date); provided, however, that such issuance will, if earlier, be made with respect to all of your outstanding vested Restricted Stock Units (after giving effect to the vesting provisions described below) as soon as practicable after (but not later than sixty (60) days after) the earliest to occur of your (1) Disability (as defined under Code Section 409A), (2) death, or (3) "separation from service," within the meaning of Code Section 409A within 2 years following a Change in Control.

**Voluntary Termination**

In the event of your voluntary termination, all unvested Restricted Stock Units will be cancelled on the date of termination.

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**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause, all unvested Restricted Stock Units will be cancelled on the date of termination. In general, termination for “cause” means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause, any unvested Restricted Stock Units that would have vested within the 12 months following such termination had your employment continued will continue to vest and be settled pursuant to the Normal Vesting Schedule (without regard to the requirement that you be employed), subject to the earlier settlement provisions of this Agreement. All other unvested Restricted Stock Units will be cancelled unless your termination of employment was in connection with a Change in Control as provided below.

**Death/Disability**

In the event of your death or Disability (as defined in Code Section 409A) while you are employed, all of your Restricted Stock Units will vest and be settled as soon as practicable after (but not later than sixty (60) days after) the date of such event. If your death or Disability occurs following the termination of your employment and your Restricted Stock Units are then outstanding under the terms hereof, then all of your vested Restricted Stock Units plus any Restricted Stock Units that would have otherwise vested during any continued vesting period hereunder will be settled as soon as practicable after (but not later than sixty (60) days after) the date of your death or Disability.

**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the “Acquiror”), may, without your consent, either assume or continue PG&E Corporation’s rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Restricted Stock Units subject to this Agreement.

If the Restricted Stock Units are neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Restricted Stock Units, all of your unvested Restricted Stock Units will vest immediately preceding and contingent on, the Change in Control and be settled in accordance with the Normal Vesting Schedule, subject to the earlier settlement provisions of this Agreement.

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**Termination In Connection with a Change in Control**

If you separate from service (other than termination for cause or your voluntary termination) in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Restricted Stock Units (including Restricted Stock Units that you would have otherwise forfeited after the end of the continued vesting period) will vest on the date of the Change in Control and will be settled in accordance with the Normal Vesting Schedule (without regard to the requirement that you be employed) subject to the earlier settlement provisions of this Agreement.

In the event of such a separation in connection with a Change in Control within two years following the Change in Control, your Restricted Stock Units (to the extent they did not previously vest upon, for example, failure of the Acquiror to assume or continue this award) will vest on the date of such separation and will be settled as soon as practicable after (but not later than sixty (60) days after) the date of such separation. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

**Delay**

PG&E Corporation will delay the issuance of any shares of common stock to the extent it is necessary to comply with Code Section 409A(a)(2)(B)(i) (relating to payments made to certain “key employees” of certain publicly-traded companies); in such event, any shares of common stock to which you would otherwise be entitled during the six (6) month period following the date of your “separation from service” under Section 409A (or shorter period ending on the date of your death following such separation) will instead be issued on the first business day following the expiration of the applicable delay period.

**Withholding Taxes**

The number of shares of PG&E Corporation common stock that you are otherwise entitled to receive upon settlement of Restricted Stock Units will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&E Corporation in connection with the Restricted Stock Units determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax (“Withholding Taxes”). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.

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**Leaves of Absence**

For purposes of this Agreement, if you are on an approved leave of absence from PG&E Corporation, or a recipient of PG&E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under "Voluntary Termination."

Notwithstanding the foregoing, if the leave of absence exceeds six (6) months, and a return to service upon expiration of such leave is not guaranteed by statute or contract, then you will be deemed to have had a "separation from service" for purposes of any Restricted Stock Units that are settled hereunder upon such separation. To the extent an authorized leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least six (6) months and such impairment causes you to be unable to perform the duties of your position of employment or any substantially similar position of employment, the six (6) month period in the prior sentence will be twenty-nine (29) months.

PG&E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.

**Voting and Other Rights**

You will not have voting rights with respect to the Restricted Stock Units until the date the underlying shares are issued (as evidenced by appropriate entry on the books of PG&E Corporation or its duly authorized transfer agent). No Restricted Stock Units and no shares of Stock that have not been issued hereunder may be sold, assigned, transferred, pledged, or otherwise encumbered, other than by will or the laws of decent and distribution, and the Restricted Stock Units may be exercised during the life of the Recipient only by the Recipient or the Recipient's guardian or legal representative.

**No Retention Rights**

This Agreement is not an employment agreement and does not give you the right to be retained by PG&E Corporation. Except as otherwise provided in an applicable employment agreement, PG&E Corporation reserves the right to terminate your employment at any time and for any reason.

**Recoupment of Awards**

Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&E@Work internet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&E Corporation).

**Change in Capital Structure/Anti-Dilution**

In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Vesey. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court's order entered at Docket No. 4326 approving the anti-dilution protection provided herein.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of California.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AWARD – FINANCIAL**

**PG&E CORPORATION**, a California corporation, hereby grants Performance Shares to the Recipient named below (sometimes referred to as “you”). The Performance Shares have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Performance Shares are set forth in this cover sheet and the attached Performance Share Agreement (the “Agreement”).

Date of Grant: November 12, 2019

Name of Recipient: Andrew Vesey

Recipient’s Participant ID: <Emp Id>

Number of Performance Shares: 9,003

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Performance Shares dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT - FINANCIAL**

**The LTIP and Other  
Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Performance Shares, subject to the terms of the LTIP. Any prior agreements, commitments or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. The LTIP provides the Committee with discretion to adjust the performance award formula.

For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of  
Performance Shares**

PG&E Corporation grants you the number of Performance Shares shown on the cover sheet of this Agreement (the "Performance Shares"). The Performance Shares are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Performance Shares**

As long as you remain employed with PG&E Corporation, the Performance Shares will vest upon, and to the extent of, the Committee's certification of the extent to which performance goals have been attained for this award as of December 31, 2019 (the "Vesting Date"), which certification will occur on or after January 1, 2020 but before March 15, 2020. Except as described below, all Performance Shares that have not vested will be cancelled upon termination of your employment.

**Settlement in Shares/  
Performance Goals**

Vested Performance Shares will be settled in shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. The number of shares you are entitled to receive will be calculated by multiplying the number of vested Performance Shares by the "payout percentage" determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number.

The Performance Shares have financial-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals as measured over the period July 1, 2019 through December 31, 2019. The Performance Shares' performance goals will be a modification of the 2019 STIP financial performance goals and safety index metrics as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Performance Shares' performance goals are set forth on Exhibit A, subject to adjustment as set forth below.

Achievement of the Performance Shares' performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

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The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP. PG&E Corporation will issue shares as soon as practicable after such determination, but no earlier than the Vesting Date, and not later than March 15 of the calendar year following the Vesting Date.

**Dividends**

Each time that PG&E Corporation declares a dividend on its shares of common stock, an amount equal to the dividend multiplied by the number of Performance Shares granted to you by this Agreement will be accrued on your behalf. If you receive a Performance Share settlement in accordance with the preceding paragraph, at that same time you also will receive a cash payment equal to the amount of any dividends accrued with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Voluntary Termination**

If you terminate your employment with PG&E Corporation voluntarily before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited. In general, termination for "cause" means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause before the Vesting Date, a portion of your outstanding Performance Shares will vest proportionally based on the number of months prior to the Vesting Date that you were employed by PG&E (rounded down) divided by five (5). All other outstanding Performance Shares will be cancelled, and any associated accrued dividends will be forfeited, unless your termination of employment was in connection with a Change in Control as provided below. Your vested Performance Shares will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Death/Disability**

If your employment terminates due to your death or disability before the Vesting Date, all of your Performance Shares will immediately vest and will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

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**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Performance Shares will vest on the Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Settlement will occur as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares from the date of grant through the Vesting Date multiplied by a payout percentage of 100%.

If the Change in Control of PG&E Corporation occurs before the Vesting Date, and if this award is neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement, all of your outstanding Performance Shares will vest and become nonforfeitable on the date of the Change in Control. Such vested Performance Shares will be settled, if at all, as soon as practicable following the original Vesting Date and no later than March 15 of the year following the Vesting Date. The performance goals will be deemed to have been achieved at target and the payout percentage will be 100%. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares to the date of the Change in Control multiplied by a payout percentage of 100%.

**Termination In Connection with a Change in Control**

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within two years following the Change in Control, all of your outstanding Performance Shares (to the extent they did not previously vest upon failure of the Acquiror to assume or continue this award) will vest and become nonforfeitable on the date of termination of your employment.

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Performance Shares will vest in full and become nonforfeitable (including the portion that you would have otherwise forfeited based on the proration of vested Performance Shares through the date of termination of your employment) as of the date of the Change in Control.

Your vested Performance Shares, if any, will be settled as soon as practicable following the original Vesting Date but no later than March 15 of the year following the Vesting Date, based on the payout percentage (which in this case will be deemed to be at target, consistent with the "Change in Control" section, above). At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

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<b>Withholding Taxes</b>	<p>The number of shares of PG&amp;E Corporation common stock that you are otherwise entitled to receive upon settlement of your Performance Shares will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&amp;E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&amp;E Corporation in connection with the Performance Shares determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax (“Withholding Taxes”). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.</p>
<b>Leaves of Absence</b>	<p>For purposes of this Agreement, if you are on an approved leave of absence from PG&amp;E Corporation, or a recipient of PG&amp;E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&amp;E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under “Voluntary Termination.”</p> <p>PG&amp;E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.</p>
<b>No Retention Rights</b>	<p>This Agreement is not an employment agreement and does not give you the right to be retained by PG&amp;E Corporation. Except as otherwise provided in an applicable employment agreement, PG&amp;E Corporation reserves the right to terminate your employment at any time and for any reason.</p>
<b>Recoupment of Awards</b>	<p>Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&amp;E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&amp;E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&amp;E Corporation).</p>
<b>Change in Capital Structure/Anti-Dilution</b>	<p>In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Vesey. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court’s order entered at Docket No. 4326 approving the anti-dilution protection provided herein.</p>
<b>Applicable Law</b>	<p>This Agreement will be interpreted and enforced under the laws of the State of California.</p>

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## **EXHIBIT A**

### **Performance Shares Performance Goals**

1. **Financial Performance**: Earnings from Operations (“**EFO**”): Measures financial performance from core operations calculated as net income adjusted for income or expenses associated with events or circumstances outside of ongoing core operations.
  
2. **Public Safety Index**: This metric includes two equally weighted sub-metrics:
  - i. **Enhanced Vegetation Management (“EVM”)**: EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
  - ii. **System Hardening**: System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AWARD – CUSTOMER**

**PG&E CORPORATION**, a California corporation, hereby grants Performance Shares to the Recipient named below (sometimes referred to as “you”). The Performance Shares have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Performance Shares are set forth in this cover sheet and the attached Performance Share Agreement (the “Agreement”).

Date of Grant: November 12, 2019

Name of Recipient: Andrew Vesey

Recipient’s Participant ID: <Emp Id>

Number of Performance Shares: 3,601

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Performance Shares dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT - CUSTOMER**

**The LTIP and Other  
Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Performance Shares, subject to the terms of the LTIP. Any prior agreements, commitments or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. The LTIP provides the Committee with discretion to adjust the performance award formula.

For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of  
Performance Shares**

PG&E Corporation grants you the number of Performance Shares shown on the cover sheet of this Agreement (the "Performance Shares"). The Performance Shares are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Performance Shares**

As long as you remain employed with PG&E Corporation, the Performance Shares will vest upon, and to the extent of, the Committee's certification of the extent to which performance goals have been attained for this award as of December 31, 2019 (the "Vesting Date"), which certification will occur on or after January 1, 2020 but before March 15, 2020. Except as described below, all Performance Shares that have not vested will be cancelled upon termination of your employment.

**Settlement in Shares/  
Performance Goals**

Vested Performance Shares will be settled in shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. The number of shares you are entitled to receive will be calculated by multiplying the number of vested Performance Shares by the "payout percentage" determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number.

The Performance Shares have customer-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals as measured over the period July 1, 2019 through December 31, 2019. The Performance Shares' performance goals will be a modification of the 2019 STIP customer performance goals and safety index metrics as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Performance Shares' performance goals are set forth on Exhibit A, subject to adjustment as set forth below.

Achievement of the Performance Shares' performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

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The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP. PG&E Corporation will issue shares as soon as practicable after such determination, but no earlier than the Vesting Date, and not later than March 15 of the calendar year following the Vesting Date.

**Dividends**

Each time that PG&E Corporation declares a dividend on its shares of common stock, an amount equal to the dividend multiplied by the number of Performance Shares granted to you by this Agreement will be accrued on your behalf. If you receive a Performance Share settlement in accordance with the preceding paragraph, at that same time you also will receive a cash payment equal to the amount of any dividends accrued with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Voluntary Termination**

If you terminate your employment with PG&E Corporation voluntarily before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited. In general, termination for "cause" means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause before the Vesting Date, a portion of your outstanding Performance Shares will vest proportionally based on the number of months prior to the Vesting Date that you were employed by PG&E (rounded down) divided by five (5). All other outstanding Performance Shares will be cancelled, and any associated accrued dividends will be forfeited, unless your termination of employment was in connection with a Change in Control as provided below. Your vested Performance Shares will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Death/Disability**

If your employment terminates due to your death or disability before the Vesting Date, all of your Performance Shares will immediately vest and will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

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**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Performance Shares will vest on the Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Settlement will occur as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares from the date of grant through the Vesting Date multiplied by a payout percentage of 100%.

If the Change in Control of PG&E Corporation occurs before the Vesting Date, and if this award is neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement, all of your outstanding Performance Shares will vest and become nonforfeitable on the date of the Change in Control. Such vested Performance Shares will be settled, if at all, as soon as practicable following the original Vesting Date and no later than March 15 of the year following the Vesting Date. The performance goals will be deemed to have been achieved at target and the payout percentage will be 100%. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares to the date of the Change in Control multiplied by a payout percentage of 100%.

**Termination In Connection with a Change in Control**

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within two years following the Change in Control, all of your outstanding Performance Shares (to the extent they did not previously vest upon failure of the Acquiror to assume or continue this award) will vest and become nonforfeitable on the date of termination of your employment.

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Performance Shares will vest in full and become nonforfeitable (including the portion that you would have otherwise forfeited based on the proration of vested Performance Shares through the date of termination of your employment) as of the date of the Change in Control.

Your vested Performance Shares, if any, will be settled as soon as practicable following the original Vesting Date but no later than March 15 of the year following the Vesting Date, based on the payout percentage (which in this case will be deemed to be at target, consistent with the "Change in Control" section, above). At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

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<b>Withholding Taxes</b>	<p>The number of shares of PG&amp;E Corporation common stock that you are otherwise entitled to receive upon settlement of your Performance Shares will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&amp;E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&amp;E Corporation in connection with the Performance Shares determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax (“Withholding Taxes”). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.</p>
<b>Leaves of Absence</b>	<p>For purposes of this Agreement, if you are on an approved leave of absence from PG&amp;E Corporation, or a recipient of PG&amp;E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&amp;E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under “Voluntary Termination.”</p> <p>PG&amp;E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.</p>
<b>No Retention Rights</b>	<p>This Agreement is not an employment agreement and does not give you the right to be retained by PG&amp;E Corporation. Except as otherwise provided in an applicable employment agreement, PG&amp;E Corporation reserves the right to terminate your employment at any time and for any reason.</p>
<b>Recoupment of Awards</b>	<p>Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&amp;E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&amp;E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&amp;E Corporation).</p>
<b>Change in Capital Structure/Anti-Dilution</b>	<p>In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Vesey. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court’s order entered at Docket No. 4326 approving the anti-dilution protection provided herein.</p>
<b>Applicable Law</b>	<p>This Agreement will be interpreted and enforced under the laws of the State of California.</p>

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## **EXHIBIT A**

### **Performance Shares Performance Goals**

1. **Customer Satisfaction**: Measures the number of customer complaints escalated to the CPUC.
2. **Public Safety Index**: This metric includes two equally weighted sub-metrics:
  - i. **Enhanced Vegetation Management (“EVM”)**: EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
  - ii. **System Hardening**: System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.



**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AWARD – SAFETY**

**PG&E CORPORATION**, a California corporation, hereby grants Performance Shares to the Recipient named below (sometimes referred to as “you”). The Performance Shares have been granted under the PG&E Corporation 2014 Long-Term Incentive Plan, as amended (the “LTIP”). The terms and conditions of the Performance Shares are set forth in this cover sheet and the attached Performance Share Agreement (the “Agreement”).

Date of Grant: November 12, 2019

Name of Recipient: Andrew Vesey

Recipient’s Participant ID: <Emp Id>

Number of Performance Shares: 23,408

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Performance Shares dated August 14, 2019.*

*If, for any reason, you wish to not accept this award, please notify PG&E Corporation in writing within 90 calendar days of the date of this award at ATTN: LTIP Administrator, Pacific Gas and Electric Company, 245 Market Street, N2T, San Francisco, 94105.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**PERFORMANCE SHARE AGREEMENT - SAFETY**

**The LTIP and Other  
Agreements**

This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Performance Shares, subject to the terms of the LTIP. Any prior agreements, commitments or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP. In the event of any conflict between the provisions of this Agreement or the above cover sheet and the PG&E Corporation 2012 Officer Severance Policy, this Agreement or the above cover sheet will govern, as applicable. The LTIP provides the Committee with discretion to adjust the performance award formula.

For purposes of this Agreement, employment with PG&E Corporation means employment with any member of the Participating Company Group.

**Grant of  
Performance Shares**

PG&E Corporation grants you the number of Performance Shares shown on the cover sheet of this Agreement (the "Performance Shares"). The Performance Shares are subject to the terms and conditions of this Agreement and the LTIP.

**Vesting of Performance Shares**

As long as you remain employed with PG&E Corporation, the Performance Shares will vest upon, and to the extent of, the Committee's certification of the extent to which performance goals have been attained for this award as of December 31, 2019 (the "Vesting Date"), which certification will occur on or after January 1, 2020 but before March 15, 2020. Except as described below, all Performance Shares that have not vested will be cancelled upon termination of your employment.

**Settlement in Shares/  
Performance Goals**

Vested Performance Shares will be settled in shares of PG&E Corporation common stock, subject to the satisfaction of Withholding Taxes, as described below. The number of shares you are entitled to receive will be calculated by multiplying the number of vested Performance Shares by the "payout percentage" determined as follows (except as set forth elsewhere in this Agreement), rounded to the nearest whole number.

The Performance Shares have safety-based performance goals and a resulting payout percentage based on the achievement of the applicable performance goals as measured over the period July 1, 2019 through December 31, 2019. The Performance Shares' performance goals will be a modification of the 2019 STIP safety performance goals as described and approved in an order of the Bankruptcy Court dated April 29, 2019. The Performance Shares' performance goals are set forth on Exhibit A, subject to adjustment as set forth below.

Achievement of the Performance Shares' performance goals will be certified by the Committee. Subject to rounding considerations, if performance is below threshold, the payout percentage will be 0%; if performance is at threshold, the payout percentage will be 50%; if performance is at target, the payout percentage will be 100%; and if performance is at or better than maximum, the payout percentage will be 150%. The actual payout percentage for performance between threshold and maximum will be determined based on linear interpolation between the payout percentages for threshold and target, or target and maximum, as appropriate. Notwithstanding the foregoing, if the aggregate score for the public safety index metric set forth on Exhibit A is below threshold level, then the payout percentage will be reduced by 50% and if the aggregate score for the public safety index metric set forth on Exhibit A is at or above threshold level but below target level, then the payout percentage will be reduced by 25%. The final score will be determined in the discretion of the PG&E Corporation Board of Directors or its delegate, including any decision to reduce or forego payment entirely.

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The final payout percentage, if any, will be determined as soon as practicable following the date that the Committee or an equivalent body certifies the extent to which the performance goals have been attained, pursuant to Section 10.5(a) of the LTIP. PG&E Corporation will issue shares as soon as practicable after such determination, but no earlier than the Vesting Date, and not later than March 15 of the calendar year following the Vesting Date.

**Dividends**

Each time that PG&E Corporation declares a dividend on its shares of common stock, an amount equal to the dividend multiplied by the number of Performance Shares granted to you by this Agreement will be accrued on your behalf. If you receive a Performance Share settlement in accordance with the preceding paragraph, at that same time you also will receive a cash payment equal to the amount of any dividends accrued with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Voluntary Termination**

If you terminate your employment with PG&E Corporation voluntarily before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited.

**Termination for Cause**

If your employment with PG&E Corporation is terminated at any time by PG&E Corporation for cause before the Vesting Date, all of the Performance Shares will be cancelled as of the date of such termination and any dividends accrued with respect to your Performance Shares will be forfeited. In general, termination for "cause" means termination of employment because of dishonesty, a criminal offense, or violation of a work rule, and will be determined by and in the sole discretion of PG&E Corporation. For the avoidance of doubt, you will not be eligible to retire if your employment is being or is terminated for cause.

**Termination other than for Cause**

If your employment with PG&E Corporation is terminated by PG&E Corporation other than for cause before the Vesting Date, a portion of your outstanding Performance Shares will vest proportionally based on the number of months prior to the Vesting Date that you were employed by PG&E (rounded down) divided by five (5). All other outstanding Performance Shares will be cancelled, and any associated accrued dividends will be forfeited, unless your termination of employment was in connection with a Change in Control as provided below. Your vested Performance Shares will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

**Death/Disability**

If your employment terminates due to your death or disability before the Vesting Date, all of your Performance Shares will immediately vest and will be settled, if at all, as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date, based on the payout percentage certified by the Committee. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any.

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**Change in Control**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "Acquiror"), may, without your consent, either assume or continue PG&E Corporation's rights and obligations under this Agreement or provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement.

If the Acquiror assumes or continues PG&E Corporation's rights and obligations under this Agreement or substitutes a substantially equivalent award, Performance Shares will vest on the Vesting Date, and the performance goals will be deemed to have been achieved at target, resulting in a payout percentage of 100%. Settlement will occur as soon as practicable after the Vesting Date and no later than March 15 of the year following the Vesting Date. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares from the date of grant through the Vesting Date multiplied by a payout percentage of 100%.

If the Change in Control of PG&E Corporation occurs before the Vesting Date, and if this award is neither so assumed nor so continued by the Acquiror, and the Acquiror does not provide a substantially equivalent award in substitution for the Performance Shares subject to this Agreement, all of your outstanding Performance Shares will vest and become nonforfeitable on the date of the Change in Control. Such vested Performance Shares will be settled, if at all, as soon as practicable following the original Vesting Date and no later than March 15 of the year following the Vesting Date. The performance goals will be deemed to have been achieved at target and the payout percentage will be 100%. At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued with respect to your Performance Shares to the date of the Change in Control multiplied by a payout percentage of 100%.

**Termination In Connection with a Change in Control**

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within two years following the Change in Control, all of your outstanding Performance Shares (to the extent they did not previously vest upon failure of the Acquiror to assume or continue this award) will vest and become nonforfeitable on the date of termination of your employment.

If your employment is terminated by PG&E Corporation other than for cause in connection with a Change in Control within three months before the Change in Control occurs, all of your outstanding Performance Shares will vest in full and become nonforfeitable (including the portion that you would have otherwise forfeited based on the proration of vested Performance Shares through the date of termination of your employment) as of the date of the Change in Control.

Your vested Performance Shares, if any, will be settled as soon as practicable following the original Vesting Date but no later than March 15 of the year following the Vesting Date, based on the payout percentage (which in this case will be deemed to be at target, consistent with the "Change in Control" section, above). At that time you also will receive a cash payment, if any, equal to the amount of dividends accrued from the date of grant through the Vesting Date with respect to your vested Performance Shares multiplied by the same payout percentage used to determine the number of shares you are entitled to receive, if any. PG&E Corporation has the sole discretion to determine whether termination of your employment was made in connection with a Change in Control.

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<b>Withholding Taxes</b>	<p>The number of shares of PG&amp;E Corporation common stock that you are otherwise entitled to receive upon settlement of your Performance Shares will be reduced by a number of shares having an aggregate Fair Market Value, as determined by PG&amp;E Corporation, equal to the amount of any Federal, state, or local taxes of any kind required by law to be withheld by PG&amp;E Corporation in connection with the Performance Shares determined using the applicable minimum statutory withholding rates, including social security and Medicare taxes due under the Federal Insurance Contributions Act and the California State Disability Insurance tax (“Withholding Taxes”). If the withheld shares were not sufficient to satisfy your minimum Withholding Taxes, you will be required to pay, as soon as practicable, including through additional payroll withholding, any amount of the Withholding Taxes that is not satisfied by the withholding of shares described above.</p>
<b>Leaves of Absence</b>	<p>For purposes of this Agreement, if you are on an approved leave of absence from PG&amp;E Corporation, or a recipient of PG&amp;E Corporation sponsored disability benefits, you will continue to be considered as employed. If you do not return to active employment upon the expiration of your leave of absence or the expiration of your PG&amp;E Corporation sponsored disability benefits, you will be considered to have voluntarily terminated your employment. See above under “Voluntary Termination.”</p> <p>PG&amp;E Corporation reserves the right to determine which leaves of absence will be considered as continuing employment and when your employment terminates for all purposes under this Agreement.</p>
<b>No Retention Rights</b>	<p>This Agreement is not an employment agreement and does not give you the right to be retained by PG&amp;E Corporation. Except as otherwise provided in an applicable employment agreement, PG&amp;E Corporation reserves the right to terminate your employment at any time and for any reason.</p>
<b>Recoupment of Awards</b>	<p>Awards are subject to recoupment in accordance with any applicable law and any recoupment policy adopted by the Corporation from time to time, including the PG&amp;E Corporation and Pacific Gas and Electric Company Executive Incentive Compensation Recoupment Policy, as last revised on February 19, 2019 and available on the PG&amp;E@Work intranet site for the Long-Term Incentive Plan (the policy and location may be changed from time to time by PG&amp;E Corporation).</p>
<b>Change in Capital Structure/Anti-Dilution</b>	<p>In the event of a change in the capital structure of the Corporation, this award and the shares of Stock subject to this award shall be subject to adjustment as set forth in Section 4.2 of the LTIP. In addition, this award will be subject to adjustment in order to protect this award from dilution in the event of (i) a spin-off to existing shareholders, (ii) a rights offer to existing shareholders, or (iii) any other transaction in which existing shareholders receive the same anti-dilution protections as Mr. Vesey. In each case, such anti-dilution protection shall be subject to adjustment as determined by the Board and compliance with the Bankruptcy Court’s order entered at Docket No. 4326 approving the anti-dilution protection provided herein.</p>
<b>Applicable Law</b>	<p>This Agreement will be interpreted and enforced under the laws of the State of California.</p>

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## **EXHIBIT A**

### **Performance Shares Performance Goals**

#### **Safety Metrics (inclusive of all safety-related Performance Metrics):**

1. **Nuclear Reliability and Safety Indicator (Weight: 8%):** Measures nuclear power generation and safety based on performance indicators for nuclear power generation developed by nuclear industry and applied to all U.S. nuclear power plants.
2. **Public Safety Index (Weight: 39%):** This metric includes two equally weighted sub-metrics:
  - i. **Enhanced Vegetation Management (“EVM”):** EVM measures how many circuit miles of vegetation have been cleared under the EVM program within high-fire risk areas to reduce wildfire risk.
  - ii. **System Hardening:** System Hardening measures completed circuit miles of fire design applications within high-fire risk areas.
3. **First-Time ILI Miles (Weight: 15%):** Measures the number of miles of natural gas transmission pipelines that were successfully inspected for the first following the introduction of inspection tools (sensors) within the pipelines.
4. **Asset Records Duration Index (Weight: 15%):** Tracks the average number of days required to complete appropriate documentation of electric and gas construction projects.
5. **Serious Injuries and Fatalities Corrective Actions Index (23%):** Measures the quality (as determined by independent safety expert) and timeliness of corrective actions implemented in response to employee and contractor serious injuries and fatalities events.

**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**STOCK AWARD – NON-EMPLOYEE DIRECTORS**

**PG&E CORPORATION**, a California corporation, hereby grants a Stock Award to the Recipient named below. The Stock Award has been granted under the PG&E Corporation 2014 Long-Term Incentive Plan (the “LTIP”). The terms and conditions of the Stock Award are set forth in this cover sheet and in the attached Stock Award Agreement (the “Agreement”).

Date of Grant: November 13, 2019

Name of Recipient: \_

Award ID Number: \_

Value of Stock Award: \$\_[INSERT]

*By accepting this award, you agree to all of the terms and conditions described in the attached Agreement. You and PG&E Corporation agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of the attached Agreement. You are also acknowledging receipt of this award, the attached Agreement, and a copy of the prospectus describing the LTIP and the Equity Awards for Non-Employee Directors under the LTIP.*

Attachment

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**PG&E CORPORATION  
2014 LONG-TERM INCENTIVE PLAN**

**STOCK AWARD AGREEMENT FOR NON-EMPLOYEE DIRECTORS**

<b>The LTIP and Other Agreements</b>	This Agreement and the above cover sheet constitute the entire understanding between you and PG&E Corporation regarding the Stock Award, subject to the terms of the LTIP. Any prior agreements, commitments, or negotiations are superseded. In the event of any conflict or inconsistency between the provisions of this Agreement or the above cover sheet and the LTIP, the LTIP will govern. Capitalized terms that are not defined in this Agreement or the above cover sheet are defined in the LTIP.
<b>Grant of Stock Award</b>	Conditioned upon the occurrence of an effective date of PG&E Corporation's plan of reorganization under chapter 11 of the U.S. Bankruptcy Code (the " <u>Chapter 11 Plan</u> ") occurring during calendar year 2020 (the " <u>Effective Date</u> "), you will be issued a number of shares of Stock (" <u>Shares</u> ") on a fully vested basis within thirty (30) days following the Effective Date pursuant to the LTIP, provided that you have not had a Separation From Service prior to the Effective Date (except as set forth below). Notwithstanding the foregoing, if the Effective Date occurs prior to June 22, 2020, such Shares will be issued to you within thirty (30) days following June 22, 2020, provided that you have not had a Separation From Service prior to such date (except as set forth below). The number of Shares shall be determined by dividing (i) \$[INSERT], as shown on the cover sheet of this Agreement, by (ii) the value of a Share of reorganized PG&E Corporation as determined in accordance with the Chapter 11 Plan. The Stock Award is subject to the terms and conditions of this Agreement and the LTIP.
<b>Separation of Service</b>	If you have a Separation from Service, whether voluntarily or involuntarily, prior to the later of (i) the Effective Date or (ii) June 22, 2020, the Stock Award subject to this Agreement will be automatically cancelled and forfeited, except in the event (a) of your death, (b) of your Disability (within the meaning of Section 409A of the Code), (c) of your resignation from the Board in connection with, or in anticipation of, the confirmation of the Chapter 11 Plan, (d) of PG&E Corporation's Nominating and Governance Committee approval of vesting in connection with your resignation or removal, or (e) that for any reason you cease to be on the Board following a Change in Control; provided, however, that if you have a Separation from Service due to a pending Disability determination, forfeiture will not occur until a finding that such Disability has not occurred.
<b>Death/Disability</b>	In the event of your Disability (as defined in Section 409A of the Code) or death, you or your estate will remain eligible to receive the Shares in respect of your Stock Award on the relevant date described in the section "Grant of Stock Award."
<b>Voluntary Termination in Connection with POR Implementation</b>	In the event that you resign from the Board in connection with, or in anticipation of, the confirmation of the Chapter 11 Plan, or in the event PG&E Corporation's Nominating and Governance Committee approves vesting in connection with your resignation or removal, you will remain eligible to receive the Shares in respect of your Stock Award on the relevant date described in the section "Grant of Stock Award."
<b>Change in Control</b>	In the event you cease to be on the Board for any reason following the occurrence of a Change in Control, you will remain eligible to receive the Shares in respect of your Stock Award on the relevant date described in the section "Grant of Stock Award."
<b>Taxes</b>	PG&E Corporation generally will not be required to withhold taxes on taxable income recognized by you upon the issuance of the Shares received in respect of the Stock Award. You shall be responsible for all taxes with respect to the Stock Award. PG&E Corporation makes no guarantees regarding the tax treatment of the Stock Award.

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**Voting and Other Rights**

You will not have voting rights with respect to the Shares received in respect of the Stock Award until the date the underlying Shares are issued to you (as evidenced by appropriate entry on the books of PG&E Corporation or its duly authorized transfer agent).

**Effect on Other LTIP Awards**

This Stock Award is granted to you in lieu of any award that may otherwise be granted to you under the LTIP in respect of 2019, including under Section 7 of the LTIP. In connection with the grant of the Stock Award, you hereby acknowledge that, in consideration of the Stock Award, you will not receive any other award under the LTIP in respect of 2019.

**Applicable Law**

This Agreement will be interpreted and enforced under the laws of the State of California.

**Significant Subsidiaries**

<b>Parent of Significant Subsidiary</b>	<b>Name of Significant Subsidiary</b>	<b>Jurisdiction of Formation of Subsidiary</b>	<b>Names under which Significant Subsidiary does business</b>
PG&E Corporation	Pacific Gas and Electric Company	CA	Pacific Gas and Electric Company PG&E
Pacific Gas and Electric Company	None		

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-209586 on Form S-3 and Registration Statement No. 333-129422, 333-176090, 333-195902 and 333-206457 on Form S-8 of our reports dated February 18, 2020, relating to the financial statements of PG&E Corporation and the effectiveness of PG&E Corporation's internal control over financial reporting appearing in this Annual Report on Form 10-K of PG&E Corporation for the year ended December 31, 2019.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California  
February 18, 2020

**POWER OF ATTORNEY**

Each of the undersigned Directors of PG&E Corporation hereby constitutes and appoints JANET C. LODUCA, LINDA Y.H. CHENG, BRIAN M. WONG, J. ELLEN CONTI, WONDY S. LEE, and ERIC A. MONTIZAMBERT, and each of them, as his or her attorneys in fact with full power of substitution to sign and file with the Securities and Exchange Commission in his or her capacity as such Director of said corporation the Annual Report on Form 10-K for the year ended December 31, 2019 required by Section 13 or 15(d) of the Securities Exchange Act of 1934 and any and all amendments and other filings or documents related thereto, and hereby ratifies all that said attorneys in fact or any of them may do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, we have signed these presents this 6th day of February 2020.

/s/ RICHARD R. BARRERA  
\_\_\_\_\_  
Richard R. Barrera

/s/ DOMINIQUE MIELLE  
\_\_\_\_\_  
Dominique Mielle

/s/ JEFFREY L. BLEICH  
\_\_\_\_\_  
Jeffrey L. Bleich

/s/ MERIDEE A. MOORE  
\_\_\_\_\_  
Meridee A. Moore

/s/ NORA MEAD BROWNELL  
\_\_\_\_\_  
Nora Mead Brownell

/s/ ERIC D. MULLINS  
\_\_\_\_\_  
Eric D. Mullins

/s/ CHERYL F. CAMPBELL  
\_\_\_\_\_  
Cheryl F. Campbell

/s/ KRISTINE M. SCHMIDT  
\_\_\_\_\_  
Kristine M. Schmidt

/s/ FRED J. FOWLER  
\_\_\_\_\_  
Fred J. Fowler

/s/ WILLIAM L. SMITH  
\_\_\_\_\_  
William L. Smith

/s/ WILLIAM D. JOHNSON  
\_\_\_\_\_  
William D. Johnson

/s/ ALEJANDRO D. WOLFF  
\_\_\_\_\_  
Alejandro D. Wolff

/s/ MICHAEL J. LEFFELL  
\_\_\_\_\_  
Michael J. Leffell

/s/ JOHN M. WOOLARD  
\_\_\_\_\_  
John M. Woolard

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**POWER OF ATTORNEY**

Each of the undersigned Directors of Pacific Gas and Electric Company hereby constitutes and appoints JANET C. LODUCA, LINDA Y.H. CHENG, BRIAN M. WONG, J. ELLEN CONTI, WONDY S. LEE, and ERIC A. MONTIZAMBERT, and each of them, as his or her attorneys in fact with full power of substitution to sign and file with the Securities and Exchange Commission in his or her capacity as such Director of said corporation the Annual Report on Form 10-K for the year ended December 31, 2019 required by Section 13 or 15(d) of the Securities Exchange Act of 1934 and any and all amendments and other filings or documents related thereto, and hereby ratifies all that said attorneys in fact or any of them may do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, we have signed these presents this 6th day of February 2020.

/s/ RICHARD R. BARRERA

Richard R. Barrera

/s/ DOMINIQUE MIELLE

Dominique Mielle

/s/ JEFFREY L. BLEICH

Jeffrey L. Bleich

/s/ MERIDEE A. MOORE

Meridee A. Moore

/s/ NORA MEAD BROWNELL

Nora Mead Brownell

/s/ ERIC D. MULLINS

Eric D. Mullins

/s/ CHERYL F. CAMPBELL

Cheryl F. Campbell

/s/ KRISTINE M. SCHMIDT

Kristine M. Schmidt

/s/ FRED J. FOWLER

Fred J. Fowler

/s/ WILLIAM L. SMITH

William L. Smith

/s/ WILLIAM D. JOHNSON

William D. Johnson

/s/ ANDREW M. VESEY

Andrew M. Vesey

/s/ MICHAEL J. LEFFELL

Michael J. Leffell

/s/ ALEJANDRO D. WOLFF

Alejandro D. Wolff

/s/ JOHN M. WOOLARD

John M. Woolard

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, William D. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of PG&E Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2020

/s/ WILLIAM D. JOHNSON

William D. Johnson

Chief Executive Officer and President

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Jason P. Wells, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of PG&E Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2020

/s/ JASON P. WELLS

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Jason P. Wells

Executive Vice President and Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, Andrew M. Vesey, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of Pacific Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2020

/s/ ANDREW M. VESEY

Andrew M. Vesey  
Chief Executive Officer and President



CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)

I, David S. Thomason, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of Pacific Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2020

/s/ DAVID S. THOMASON

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David S. Thomason

Vice President, Chief Financial Officer and Controller

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 10-K of PG&E Corporation for the year ended December 31, 2019 (“Form 10-K”), I, William D. Johnson, Chief Executive Officer and President of PG&E Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of PG&E Corporation.

/s/ WILLIAM D. JOHNSON

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William D. Johnson

Chief Executive Officer and President

February 18, 2020

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 10-K of PG&E Corporation for the year ended December 31, 2019 (“Form 10-K”), I, Jason P. Wells, Executive Vice President and Chief Financial Officer of PG&E Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of PG&E Corporation.

/s/ JASON P. WELLS

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Jason P. Wells

Executive Vice President and  
Chief Financial Officer

February 18, 2020

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 10-K of Pacific Gas and Electric Company for the year ended December 31, 2019 (“Form 10-K”), I, Andrew M. Vesey, Chief Executive Officer and President of Pacific Gas and Electric Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Pacific Gas and Electric Company.

/s/ ANDREW M. VESEY

\_\_\_\_\_  
Andrew M. Vesey

Chief Executive Officer and President

February 18, 2020

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 10-K of Pacific Gas and Electric Company for the year ended December 31, 2019 ("Form 10-K"), I, David S. Thomason, Vice President, Chief Financial Officer and Controller of Pacific Gas and Electric Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Pacific Gas and Electric Company.

/s/ DAVID S. THOMASON

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David S. Thomason

Vice President, Chief Financial Officer and Controller

February 18, 2020